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Tissue From the Desert

Procter & Gamble Project Advancing on Schedule in Utah

On October 17, 2007, Procter & Gamble (P&G) announced that it has selected a new US manufacturing location for its Family Care unit. The company had researched various alternatives for serving its US West clients before publishing the news that it will develop a 730-acre (290-hectare) greenfield site at an unincorporated area in Utah's Box Elder County, some 65 miles (104 km) north of Salt Lake City.

The mill site is close to two small townships, Bear River City and Corinne, on the Bear River, which brings fresh water from the mountains to Great Salt Lake. The availability of process water was certainly an important factor in site selection, as such locations are not numerous in the state of Utah.

P&G needed more production capacity in the US West, with sites in Oregon and Washington also making the final short list. In addition, the Cincinnati-based firm considered expanding capacity one of its existing plants in either Cape Girardeau, Missouri, or Oxnard, California. Cape Girardeau is a relatively new state-of-the-art facility with complete infrastructure and still has space available, but the mill is far away from the US West, with transport costs and logistics being the Achilles' heel for this alternative. On the other hand, not only does the Oxnard mill have a space problem, but also operational costs in California, particularly energy costs which are an elementary cost factor for a TAD mill, are prohibitive for choosing Oxnard as the new PM location.

Major Long-Term Development Plans

The selection of Utah included major long-term development plans, which, for example, the Oxnard location would not have been able to offer. When planning the new facility in 2007-2008, the company's Utah plans were drawn out on an extended operational horizon. P&G will invest US$315 million and hire 300 workers in the project's first phase, according to documents that the company filed with the Utah Governor's Office of Economic Development Board (OEDB). After that, P&G is projecting that employment at its Utah facility will increase to 500 by 2012, 900 by 2018 and 1,000 by 2028.

The first phase of the project includes a new paper machine, converting lines with automated packaging and logistic systems plus warehousing space. The groundbreaking ceremonies were held at the site located at 5000 N. Iowa String Road near Bear River in May 2008. In March 2009 there was news that part of the roof on the mill building suddenly collapsed, but fortunately no serious injuries were sustained by the three workers inside the building and the damage did not cause any significant delay in the construction schedule. Andritz has already delivered the complete TAD tissue machine with a capacity of 80,000 tons annually (72,000 tonnes/yr). In October 2009 the local press reported about the transport of the huge Yankee dryer which was

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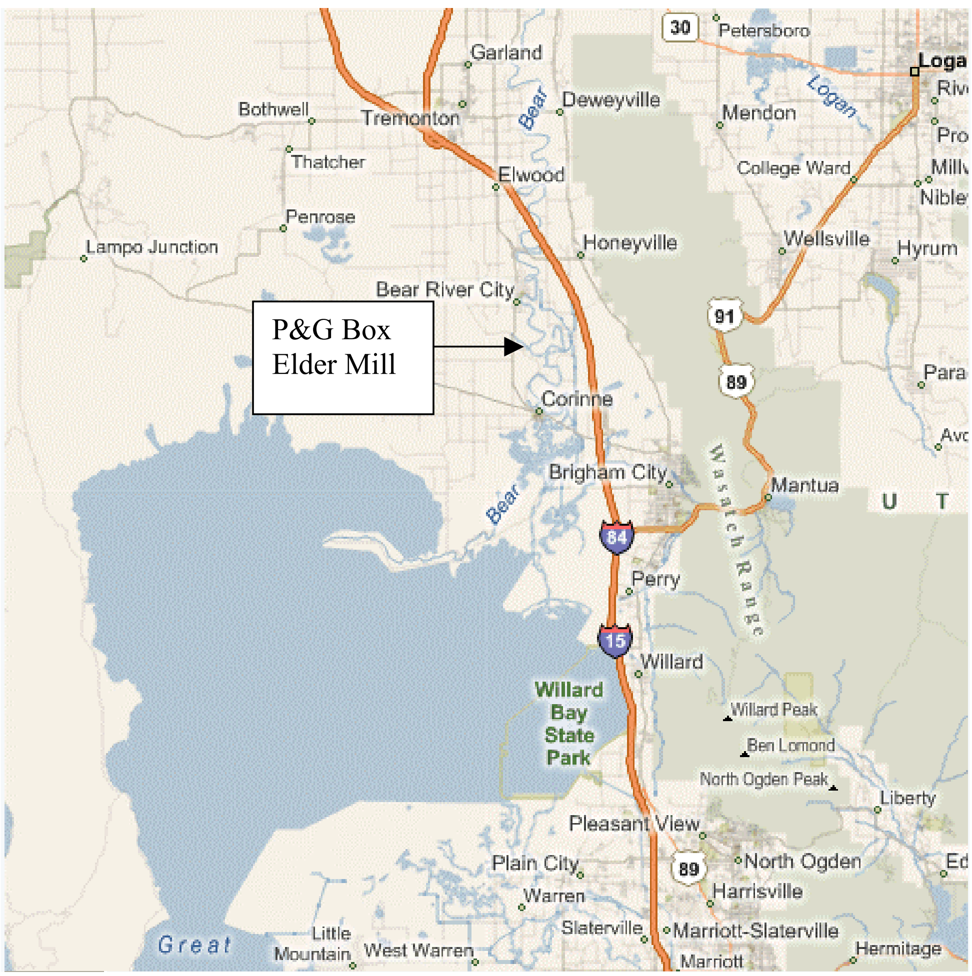
described to be "20 feet tall and 25 feet wide" to the mill site. We understand that the mill equipment is in its final installation phase with electrical work, automation systems, etc. being finalized and tested before test runs. At the time of the groundbreaking ceremony, P&G representatives said that the mill "will be operating by the second half of 2010," which means that startup should occur during the second quarter of 2010.

The new mill will concentrate on the manufacture of two P&G brands that each ring up more than US$1 billion a year in annual sales: "Bounty" paper towels and "Charmin" toilet tissue products. P&G managers have on several occasions commented that "there are other phases coming" after the first phase has been completed and "with our track record, we expect to continue to grow for years to come." The new site may be paralleled with P&G's another plant in Mehoopany, Pennsylvania. That plant was built in 1966 with 350 employees and projections of perhaps eventually 600. It now has 2,300 workers, a payroll of US$180 million and local spending of US$1 billion annually. In addition to Family Care, it is not unlikely that other P&G divisions would also locate production facilities at the site over time.

P&G's Box Elder Mill Location in Utah



Subsidies Helping, but Not Decisive for the Location Choice

One of the contributing reasons for P&G's decision to invest in Box Elder is certainly Utah's hefty project incentives which put heavy emphasis on the long-term development. The OEBD approved a subsidy package at a special meeting in October 2007 that could total as much as US$85 million for P&G, although spread over a 20-year span. Utah's incentives will grant P&G about 30% of the new state revenues that the company's plant generates during its first 20 years of operation. During the facility's first five years online, the company will receive a rebate of 50% of those revenues. Rebate percentages will decrease thereafter over the plant's next 15 years of operation. P&G's subsidy package is the biggest that the state has ever offered.

Under the terms of the subsidy agreement, P&G committed to keeping its Utah production in operation for at least 20 years. Significantly, P&G Family Care is arriving in Utah with a history of longevity at its US manufacturing locations. The Box Elder County expansion is the first greenfield tissue operation in the USA since Cape Girardeau, Missouri, where the first tissue PM was started up in 1999 (the site already had some diaper manufacturing earlier, but for tissue production, the site was greenfield). The site may see two additional tissue PMs arriving within the 20-year span, provided that both "Bounty" and "Charmin" will keep their dominant market positions and need more manufacturing capacity with the overall market growth.

P&G managers say that incentives given by the state of Utah were not the decisive factor for the investment. According to the company, the availability of a skilled work force and "the winning culture of Utah" made the location a great fit for P&G. Utah has adapted a very business-minded policy, and in 2008 Forbes ranked it second in its "Best States of Business" rankings. Utah also belongs to the top states as regards to Kauffman Foundation's rankings for "economic dynamism."

Utah has made major efforts in its recruitment of Procter & Gamble, led in those days by Gov. Jon Huntsman Jr. (now US Ambassador in China).While P&G's labor needs are large, the company has picked a small-town site. The closest town to the rural tract is Bear River City, which has about 750 residents. The next small town, Corinne, has less than 700 people. However, Box Elder County's two largest cities, Brigham City (population 17,000) and Tremonton (population 7,000), are within a 10-mile (16-km) radius of P&G's mill site. In addition, Ogden, which has about 80,000 residents, is about 40 miles (less than 50 km) south of the plant's location.

P&G's small army of available positions should exert a powerful pull on labor in northern Utah. The plant's jobs will pay an annual average wage of US$42,000 -- almost twice Box Elder County's current median wage of slightly less than US$22,000. The large pool of quality labor, comparatively low operating costs and strong logistic links were the significant factors for P&G's site selection.

First Quality's Utah Tissue Project under Reconsideration

First Quality Tissue, which at the end of July 2009 said it was planning to develop a 70,000 ton/yr tissue/towel paper machine and converting operation in 2011 at an undetermined site, has been negotiating in southern Utah for a possible property. The Daily Herald in Provo, Utah, said First Quality Enterprises (FQE), the parent company of First Quality Tissue, "has been in negotiations for the past year with multiple government and private organizations to locate a production plant in the southern Utah county" on land owned by the Church of Latter-Day Saints (LDS). The exact location has not been revealed, but it should be within the boundaries of the Elberta/Goshen area master plan.

First Quality Tissue runs a 150,000 tons/yr Through-Air-Dried (TAD) tissue paper mill in Lock Haven, Pennsylvania, where International Paper (IP) and Hammermill Paper once made office paper. The majority of First Quality output goes to private label store brands for some of the world's premier retailers, including Wal-Mart. The firm launched a kitchen towel product in 2005 and bathroom tissue in 2008. A second mill location is needed because it is logistically and economically difficult to serve the whole US market from the Pennsylvania location.

The project in Utah would initially bring 250 jobs and a US$250 million investment to produce baby diapers and paper towels. According to Utah newspapers, the plant, after its possible completion over an 8- to 10-year period, would create between 1,000 and 1,250 jobs with an investment volume of up to US$1 billion. The company has been attempting to seal a deal with the LDS Church for the mill site covering an area of 600-1,000 acres (240-400 ha) and with governmental officials for tax incentives. The first phase of the new mill was originally scheduled to be operational in 2011.

But the latest news from Utah is that the project has run into obstacles. FQE has not published anything on the current phase of the plan, but reportedly one major issue is poor fresh water availability in the planned mill site area. For a tissue mill, this is an extremely important factor. The company has been negotiating incentives similar to P&G's project with the state of Utah, but there is no confirmation on the phase of these discussions.

FQE has also been searching for alternate mill sites to the one in Utah. The company has a team evaluating South Carolina as a possible location for its third TAD tissue PM. Reportedly FQE's tissue business is expanding rapidly in the US Southeast, and therefore a mill in the region would make a lot of sense. This new turn in the expansion strategy indicates that nothing is yet clear for the Utah project and it is being reconsidered. The move may also be taken to put pressure on the Utah state government for securing the highest possible incentives.

But ST Paper's Utah Plan Cancelled

The current owners of the Wisconsin-based Oconto Falls tissue mill and related assets, ST Paper, shortly after its acquisition announced ambitious expansion plans for greenfield tissue mills, one of which was planned for Utah. The company submitted a Notice of Intent (NOI) to construct and operate a paper mill in St. George, in the extreme southwest corner of Utah, including a tissue machine and related necessary systems supporting the operation of the tissue machine.

However, currently the new owner, Sharad K. Tak, is reconsidering his ownership in the paper business and the Wisconsin mills are for sale. Several venture capital investors have shown interest, but no deal had been finalized at the time of writing. For this reason we consider the Utah plan as a dead project.

APP Vying for #4 Tissue Supplier Position

APP Continues Aggressive Tissue Business Expansion

Asia Pulp & Paper (APP) has ambitious expansion plans and wants to become the world's fourth largest tissue supplier in the next few years. The emerging tissue leviathan has been quietly building up capacity in China and Indonesia with more capacity in the pipeline for China.

APP's company policy is to give as little information as possible to the public. When any news items are published in professional publications or on the Internet, APP management is not too happy -- which is logical based on the principles agreed. However, in the current communicative society the problem is that it is practically impossible to operate so quietly in the international market that nobody knows anything. The mouths of suppliers can be sealed with confidentiality agreements, but even so, participation in international business means that the contact surface is too large to be able to control every information flow.

As information providers and industry consultants we are not too happy with this kind of fact hiding, but respect it as a company policy and are not pushing hard to get information from company managers directly. But our honest opinion is that many times it would be better to be communicative (at least to some extent) than to not give any comment at all. In the end, an active market participant who makes an effort to isolate from the business environment by hiding news and facts will see that by sharing some market information with each other, its competitors can quicker react in certain important situations.

New Capacity Built under High Secrecy

APP surprised everybody in 2005 when it announced the purchase of a total of ten tissue machines from A.Celli, six of which have an annual capacity of 28,000 tonnes (trim 2.83 m) and four with a capacity of 26,000 tonnes (trim 2.63 m). It became evident from several sources that the six PMs with the higher capacity went to the Hainan mill in China and the other four PMs to a mill in Sumatra, Indonesia. At that time, no details were available from either APP or A.Celli on the deliveries or exact location on Sumatra. The general opinion was that the four PMs to Indonesia went to the existing APP subsidiary mill, Lontar Papyrus, in Jambi, Sumatra, which operates one large Andritz PM, but this was not the location for the new PMs as we assumed.

APP had decided to build a new tissue mill site next to its Indah Kiat pulp mill in Perawang, Riau, Sumatra, which houses five BHK lines with a combined capacity of 2.15 million tonnes/yr and four fine paper machines with a total capacity of 685,000 tonnes/yr. The Perawang tissue mill is officially called Pindo Deli Pulp & Paper Mills, Mill No. 3, as Pindo Deli already operates Mills No. 1 and 2 in Karawang, West Java. The company had already removed an older tissue PM operating under the name P.T. Univenus from Serang to Perawang, adjacent to the pulp mill in 2003.

In autumn 2006, PMPoland announced that it had won the delivery of 30 tissue PM headboxes for "a large Asian pulp and paper producer," which was easy to track back to APP. It came also apparent that Andritz had won an order for hoods for a corresponding number of tissue machines. There was little information available on APP's expansion plans based on these important technical components, but it came evident that APP had also set up a mechanical workshop, operating under the name Jin Shun, to assemble tissue machines in Dagang, Jiangsu province, close to its flagship (fine paper) mill Jiangsu Gold East Paper.

In a blueprint revealed in 2007, APP announced plans to install 24 tissue machines with a combined capacity of 528,000 tonnes/yr at the Hainan mill. It intended to integrate the PMs with the complex's 1.2 million tonne/yr bleached hardwood kraft (BHK) pulp line. Using western headboxes and hoods, Jiangsu Jin Shun outsourced the assembly work and other component manufacture to several Chinese manufacturers, including Jiangsu Huadong

APP'S Current Tissue Capacity by Mill (end of 2009)

Country	Subsidiary Company	Mill Location	No. of Tissue PMs	Total Capacity (tonnes/yr)
China	Jiangsu Gold Hongye Paper	Suzhou city, Jiangsu province	8	184,000
	Hainan Gold Hongye Paper	Haikou city, Hainan province	6	168,000
	Hainan Gold Shengpu Paper	Haikou city, Hainan province	6	108,000
	Inner Mongolia Jinxing Pulp & Paper (APP 70%)	Baynnur city, Inner Mongolia	7	10,000
	Jiangsu Zhenjiang Gold River Pulp & Paper (APP 60%)	Jianbi, Zhenjiang, Jiangsu province	3	17,000
	China total		**30**	**487,000**
Indonesia	Lontar Papyrus Pulp & Paper Industry (APP 80%)	Jambi, Sumatra	1	60,000
	Pindo Deli Pulp & Paper Mills, Mills No.1 & No. 2	Karawang, West Java	2	75,000
	Pindo Deli Pulp & Paper Mills, Mill No. 3	Perawang, Riau, Sumatra	16	344,000
	The Univenus Co.	Perawang, Riau, Sumatra	1	18,000
	Indonesia total		**20**	**497,000**
APP Total			**50**	**984,000**

Paper-Making Machinery and Henan Jiaozuo Chongyi Light Industry. In 2007-2008, six machines assembled in this fashion, each with a capacity of 18,000-20,000 tonnes/yr, came on stream at the Hainan complex. A further six tissue PMs were assembled for the Hainan mill, which operated under the name Hainan Gold Shengpu Paper, while the six A.Celli PMs are operated by another APP China subsidiary, Hainan Gold Hongye Paper. During this period, six smaller self-assembled PMs were also installed at the Suzhou mill. These included two 12,000 tonne/yr units and four 10,000 tonne/yr machines.

Even more secretive than the expansion in China was the construction of 12 tissue machines at the Perawang (Pindo Deli No. 3) facility. These PMs are rated with a capacity of 20,000 tonnes/yr each, according to local sources. No news has been published about their start-up schedules. We estimate that the first PMs may have come on stream in late 2007 and the last ones in early 2009.

Strong Tissue Capacity Expansion Continues in China

APP had been carefully monitoring the Chinese tissue market, aiming to tap further into this potentially lucrative sector while adapting to the fast-changing dynamics there. But after installing 12 self-assembled tissue machines in China and Indonesia each, the group changed its strategy and is now opting for some larger and thus more cost-efficient machines. Currently APP has no plans for further tissue machines with individual capacities less than 30,000 tonnes/yr. A Jiangsu Jin Shun source explained that the group is now focusing on larger PMs to ensure cost efficiency while strengthening its foothold in the increasingly cut-throat Chinese market.

New plans include the installation of a total of eight new tissue machines in China, each with a capacity of 60,000 tonnes/yr or more. APP has ordered five 5.6 m wide tissue machines from A.Celli, each with a capacity of 60,000 tonnes/yr. We understand that the supplier has already started the manufacture of two of the new machines, with the three others to follow.

APP has also been in talks with Voith Paper for three 5.6 m trim machines, and recent press reports indicate that the order of at least the first PM has already been awarded to Voith. These machines should be able to reach a record operating speed of 2,400 m/min, which would mean a capacity of some 72,000 tonnes/yr when running facial and toilet tissue with low basis weights. The first of the Voith machines is scheduled to come on stream in approximately 15 months, which would mean startup will be in June-July 2011.

All eight machines are slated for installation at existing APP China mills or new sites in China. Targeting China's second-tier inland cities and vast countryside, it has decided to spread out the new PMs by installing them at mills across the country. One of the five A.Celli machines will go to the plant in Suzhou city, Jiangsu province, run by APP China subsidiary Jiangsu Gold Hongye Paper. The PM is slated to start up at the end of 2010. If the machine runs well there, another 60,000 tonne/yr unit will be erected at the mill shortly afterward.

Another of the five PMs will go to a mill that APP China acquired two years ago in Yaan city in the southwestern province of Sichuan. Subsidiary Sichuan Jinan Pulp & Paper will carry out the scheme. The mill has been operating a bamboo pulp line with a capacity of 80,000 tonnes/yr plus a small fine paper PM, which is currently idle. It has obtained permits to install two 60,000 tonne/yr machines at the site. The first is expected to come on stream in early 2011. The second will follow suit six months later. The group has not yet decided whether the second PM will be from A.Celli or Voith.

Two machines will also likely be erected at a greenfield plant under construction in Xinmin city in the northeastern province of Liaoning. The facility will be operated by a joint venture of APP China and the state-run company Xinmin Paper Mill, dubbed Shenyang Jinxin Pulp & Paper. APP China is still evaluating where to put the remaining three machines. It may build greenfield operations or acquire existing mills to house the units. One possible location being considered is Xiaogan city, Hubei province, in central China.

Small Mill Closures to Ease Evident Overcapacity

APP's eight new PMs will represent around 10% of China's tissue capacity. The group has been keeping a low profile with its investments, as the news will send a shockwave through the country's tissue industry. Around 0.4 million tonnes of new capacity will be added to the market this year, taking the country's total to 4.8 million tonnes, said a spokeswoman for the China National Household Paper Industry Association (CNHPIA). It predicts consumption will grow by 8-10% this year, in line with China's strong economy. With expansions continuing apace, the spokeswoman is worried about possible overcapacity next year.

However, the CNHPIA believes many small, integrated tissue plants will go out of business in the next few years, mainly due to increasingly stringent environmental standards and the government strengthening their enforcement. Such mills tend to use nonwood fiber, such as reed and straw, as furnish for their pulp. Demand for such low quality tissue products is on the decline as living standards improve and the Chinese population rapidly urbanizes. Chinese consumers are becoming more concerned about the hygiene and quality of their tissue products.

US Business Expanding but Slowly

Solaris Paper, a US West Coast-based subsidiary of APP, has been actively selling APP's products in the US market. The company has established a converting plant in Santa Fe Springs, California, which is running and shipping mainly AfH converted products at an annual rate of 28,000 tons. The largest customer is Unisource for its private label products, but it also sells products to a few other major AfH merchants and/or distributors such as Bunzl.

APP's original idea was to build four converting plants at different parts of the USA to be able to serve customers flexibly and just-in-time throughout the country. Solaris Paper started to build its second facility in Strasburg, Virginia, but the construction works were stopped for more than a year for unknown reasons. One of the problems for APP's AfH tissue sales expansion is that all products are 100% based on virgin fiber, and most of the AfH customers require at least partly recycled fiber-containing products, preferably also with an environmental certification (such as "Green Seal"). Another difficulty is that Solaris Paper does not have its own dispenser program -- a major sales point for its competitors with their own dedicated dispenser systems.

For the Strasburg facility, Solaris Paper has made an agreement with Mercury Paper, a new sales-oriented company established by ex-Kimberly-Clark managers led by Philip C. Rundle. The details of the agreement between Solaris Paper and Mercury Paper are not known, but Mercury will concentrate on At-Home tissue sales and Solaris will continue its AfH product sales under its own banner. Mercury will most probably make some subcontracting agreements with other suppliers who need converting capacity geographically closer to US Southeast and US South clients. It will most probably also compete with Clearwater, Orchids, Cascades and other retailer label suppliers. Mercury will source its tissue from APP's facilities in China and Indonesia.

Converting and packaging equipment are still on their way from Europe to the Strasburg facility, and it will take a few months before operation can be started. The company announced that initial capacity would be 3,500 tonnes per month and plans to double capacity as soon as sales develop. The company has a 10-year lease agreement for the facility with BPG Properties. It is not fully transparent, but it appears that Solaris Paper (APP) would also be in charge of manufacturing in Virginia, with Mercury taking care of sales and marketing. However, some assets may be run under the Mercury banner to give more confidence to customers.

Solaris Paper is likely to reconsider the construction of a third facility despite the delay in the opening of the second converting site. The most likely location for this greenfield facility would be in the US Midwest. This could be possible within a couple of years -- depending on the success in its business.

APP Targeting to Overtake Procter & Gamble in Global Ranking

The eight new large tissue machines to be built in China will mean an addition of approximately 510,000-520,000 tonnes of annual capacity for APP. Construction of the mills will take some time, but it is possible that all the machines could be running by 2013. Adding this new capacity to APP's current capacity in China and Indonesia, the company's total capacity will reach 1.5 million tonnes annually.

Currently Procter & Gamble (P&G) holds the fourth position in the global tissue supplier ranking with mills in the USA and Mexico (only one in Mexico) and a total capacity of 1.39 million tonnes annually. However, P&G is building a new mill in Utah which will come on stream in the second quarter of 2010, adding approximately 72,000 tonnes to its capacity. This will mean a total capacity of 1.36-1.37 million tonnes by the end of this year. Assuming that no major further capacity expansions are undertaken by P&G before 2013, APP could take the fourth global tissue supplier position, providing that the company can realize its goals as planned and that no other major merger or acquisition will take place in the tissue industry -- which is always possible.

Cellu Tissue Refocusing Its Business

IPO Mainly to Reduce Debt

Cellu Tissue, North America's seventh largest tissue producer by capacity, has filed an initial public offering (IPO) to generate cash to reduce its nearly US$268 million in long-term debt. The offered shares will include shares to be sold by Cellu Tissue and shares to be sold by stockholders of the company. The company has targeted a price range of US$15 to US$17 for the sale of up to 8.97 million shares of common stock in an IPO, hoping to raise as much as US$143.5 million, according to a regulatory filing on Friday, January 8, 2010. Cellu issued a prospectus on the IPO on November 17, 2009.

The company added: "Cellu Tissue intends to use the net proceeds it receives from the offering to pay down certain indebtedness, including, but not limited to, potentially redeeming or repurchasing a portion of its outstanding senior secured notes, and the remaining net proceeds, if any, for general corporate purposes." Cellu Tissue intends to apply to list the common stock on the New York Stock Exchange under the ticker symbol "CLU." This is expected to be realized around February 1, 2010.

Cellu Tissue recently refinanced its long-term debt, taking on new terms at a higher interest rate but with a due date on the new loan package that has been extended by about four years. The new 11.5% senior secured notes are due in 2014 and sold for US$245.7 million, which paid off the old 9.75% senior secured notes due in 2010.

In the first nine months of its fiscal year (fiscal year 2010 ending February 2010), Cellu Tissue's adjusted EBITDA rose by more than 50% compared to the last year's EBITDA for the same period. As a result of the latest financial improvements, just before Christmas Standard & Poor's Rating Services raised its corporate credit rating on Cellu to 'B+' from 'B' with the positive outlook comment.

The Boston-based private equity firm Weston Presidio Management purchased Cellu Tissue Holdings from Charterhouse Group in mid-2006 for US$205 million, including US$162 million in company debt so that the actual cash cost of the company was about US$43 million. The IPO turns public about 40-45% of Cellu Tissue shares. About US$30 million is for the company to cut its debt by about 11% and the rest for the firm's owner, Weston Presidio. The owner will multiply its investment money after taking Cellu Holdings public, provided that the IPO will go through according to the owner's plan.

Cellu Tissue Expanded through Deliberate Acquisitions

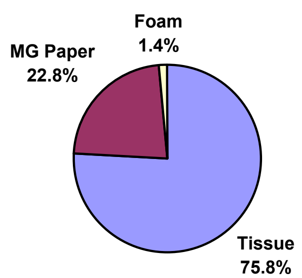
Cellu Tissue merged together with CityForest Corporation of Ladysmith, Wisconsin, in the first quarter of 2007. CityForest had been one of the main rivals of Cellu Tissue in tissue parent roll sales in North America, and we consider the merger as a wise strategic move by both sides to increase consolidation and price discipline in the rigorously competitive US parent roll sector. The acquisition made Cellu Tissue the US market leader in tissue parent rolls.

The second important expansion acquisition took place in summer 2008. On July 3, 2008, Cellu Tissue announced its acquisition of Atlantic Paper & Foil (AP&F) with tissue converting operations in Central Islip, Long Island, New York, and Thomaston, Georgia, for US$68 million. We estimate that at the time of acquisition, AP&F converted some 27,500 tons/yr of tissue with focus on the At-Home tissue market, although some tonnage was also for the AfH sector. But AP&F's 5,500 ton/yr foil converting operations were not part of the acquisition and were stopped.

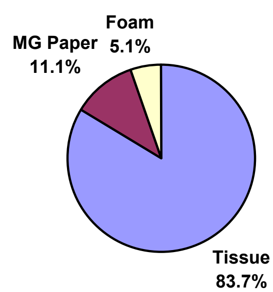
Cellu Tissue's business focus is increasingly in tissue and less in MG paper and other products (foam products). In the fiscal third quarter of 2010, tissue accounted for more than 76% of total revenues, MG paper for about 23% and foam products for the remaining 1%. In terms of net income tissue was even more dominant: 84% of net income was created by the tissue segment, 11% by MG paper and 5% by foam products.

Cellu Tissue Sales Revenue and Income by Product Group, Q3 Fiscal 2010

Sales Revenue



Income from Operations



New Focus on Converted Private Label Tissue Products

Cellu Tissue's business focus is increasingly on the sale of converted products, mainly as retailer labels, and replacing part of its parent roll sales with more value-added products. The acquisition of AP&F was a part of this new strategy. The company increased private label sales from 11% of fiscal 2008 revenue to an almost 30% share in the six-month period through August 27, 2009. In the third quarter of fiscal year 2010 (third quarter ending November 26, 2009), the company's tissue shipment volume consisted of 52.5% of parent rolls and 47.5% of converted products. However, in value terms converted products certainly accounted for more than half, although exact numbers were not revealed by the company.

The new strategy implies major new investments in new converting capacity. In October 2009 company CEO Russell Taylor said in a call with analysts that Cellu will increase capital spending by US$9 million in fiscal year 2010 from US$11 million to US$20 million to add tissue converting capacity. The aim of the extra spending is to increase the company's vertical integration so that more of the firm's 247,000 tons/yr of tissue paper capacity is used at the company's own converting plants. Additional converting capacity and greater vertical integration comes as the firm sees ongoing growth in the US private label segment.

Taylor, formerly an executive at Kimberly-Clark, also said the firm added equipment at the 426,000 ft^2 (close to 40,000 m^2) Thomaston, Georgia, converting plant and is in the process of adding on at the Central Islip, Long Island, New York, plant. The new towel converting line at the Long Island facility has just been started up.

Cellu Tissue will also build a new converting facility in Oklahoma City, Oklahoma. It will be the company's second converting plant in the southern half of the USA and means a US$14 million investment. The company has a new 10-year lease agreement on a 323,000 ft^2 (30,000 m^2) facility in Oklahoma City for housing a new tissue products converting operation, which would start running by June 2010, based on an SEC filing. The company hopes to get converting lines with a capacity of altogether 50,000 tons/yr into operation by the end of 2010.

Currently, Cellu Tissue has a total converting capacity of about 125,000 tons/yr, of which 80,000 tons/yr are in Neenah (the plant could go up to 120,000 tons/yr if operated on 7d/24h basis) and 45,000 tons/yr are at the two former AP&F converting plants. This will soon increase to 145,000 tons/yr when the new Long Island converting line approaches its full capacity. We estimate that the saleable converted products potential for Cellu Tissue is currently 112,000 tons/yr, below its capacity limits. For example, the Neenah converting facility has a lot of facial tissue converting capacity plus older napkin lines, which cannot be utilized for market reasons, limiting the real current converting potential at Neenah to some 72,000 tons/yr.

But even with all this strategic redirection, Cellu Tissue will sell tissue parent rolls in the range of 100,000 tons/yr in 2010. In North America, only Cascades of Canada sells more tissue parent rolls than Cellu Tissue.

In the long term, Cellu Tissue will need an additional western US converting operation in order to serve customers properly. The opening of the Oklahoma converting facility could cut Cellu Tissue's parent roll sales to half of the 2010 quantity, provided that the company can sell the quantity in the marketplace.

It will certainly also take time to introduce all the volume from the new converting lines into the marketplace. Cellu has to compete with several retailer label suppliers, including Clearwater Paper, First Quality Tissue, Orchids Paper, Cascades, Irving Tissue and several independent converters. The objective has been established, but reaching the target that the company already defines as a slogan "Fully Integrated Manufacturer of Choice" will certainly take some time in the competitive North American retailer label tissue market.

Danish Tissue Market

Recent Market Trends

The Danish tissue market has shown a growth trend of about 2% per year for the past 10 years, although there have been some variations in the annual growth figures. Since 2005 the market has been surprisingly strong, despite the high per capita consumption level of almost 18 kg in 2008. Market size is gradually approaching the 100,000 annual tonne benchmark. Preliminary figures for 2009 indicate that the recession took its toll on Denmark as well and tissue consumption likely declined marginally for the year.

Denmark is the largest tissue consumer in Europe without its own tissue production. However, there are several tissue mills in neighboring countries and as Denmark does not have any relative advantages as a paper producer, such as low energy or labor costs, imports have been a more economic alternative than building capacity in the country. Denmark has only a couple of small and specialized tissue converters, so tissue imports as parent rolls are very tiny (less than 2,000 tonnes annually). Therefore, tissue exports are mainly transit trade that has been recorded in both import and export statistics.

Denmark is an open economy and as it is surrounded by sea on three sides, it has been easy for exporters to serve the Danish market with all types of goods. And tissue does not seem to be an exception: there is even a small tonnage of tissue (now about 1,000 tonnes at an annualized level) coming from China to Denmark. However, the majority of imports come from two neighboring major tissue producers: Germany (33% of total in the first nine months of 2009) and Sweden (31%). A small surprise is that Slovakia is the third largest supplier, accounting for 12% of total imports. Finland ranks fourth with an import share of 7%.

Recent Trends in the Danish Tissue Market

Year	Production	Foreign Trade Including Converted Products		Consumption
		Imports	Exports	
		- 1000 tonnes -		
1998	0	90	10	80
1999	0	87	10	77
2000	0	86	11	75
2001	0	88	11	77
2002	0	94	13	81
2003	0	97	10	87
2004	0	98	10	88
2005	0	98	10	88
2006	0	103	8	95
2007	0	104	8	96
2008	0	109	11	98
Growth 1998-2008	**0.0%/a**	**1.9%/a**	**0.1%/a**	**2.1%/a**

Current Market Structure and Other Trends

The consumer sector is estimated to account for 64% and the AfH for 36% of total tissue consumption. As in the other Nordic countries, the toweling sector is particularly strong in comparison to European average consumption. Import statistics are not very accurate per grade, and based on our experience, part of toweling is recorded as toilet tissue in the Danish import statistics. The napkin sector is more developed than in the other Nordic countries, in the AfH sector in particular, reflecting the cultural difference with the tradition of more outside eating in Denmark than in Finland or Norway. The hankies/facial tissue sector in Denmark is small as kitchen towels are commonly used as replacements at home.

Denmark belongs to the "green" European countries, which means that a high share of toilet tissue available in Denmark contains at least some percentage of recycled fiber. Environmental certifications, such as the "Nordic Swan" or the "EU Flower," are commonly used by exporters to Denmark. This is also one reason (in addition to the long distance) why Italian tissue exporters have been less successful in Denmark than in many other European countries. In recent years, the toilet tissue segment has seen an upgrading trend, and the share of white tissue rolls (also based on high-quality deinked pulp) has exploded in retail outlets, while demand for recovered paper-based grey toilet paper has been declining drastically.

Tissue Consumption by Product and Market Segment in Denmark 2008

Product	Total Market Volume	Consumer Sector Demand	AfH Sector Demand	Per Capita
		- 1,000 tonnes -		- kg/capita -
Toilet Tissue	56	40	16	10.2
Facial/Hankies	2.5	2.0	0.5	0.5
Toweling	30	18	12	5.5
Napkins	8	3	5	1.5
Sanitary and Other	1.5	0	1.5	0.4
Total	**98**	**63**	**35**	**17.9**

The lack of domestic suppliers with strong brands is likely one of the main reasons for the high share of private labels in Denmark. The average retailer label share exceeds 70% in terms of volume in the consumer tissue sector, according to the Private Label Manufacturers Association (PLMA) and A.C. Nielsen statistics. As in many other European countries, the private label share is at its highest in kitchen towels. However, in 2008 brands seem to have slightly regained market share in all grades except napkins.

Retailer Label Shares in the Danish Consumer Tissue Sector, 2004-2008

Product	Private Label Volume Share					Private Label Value Share				
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
			- % -					- % -		
Toilet Tissue	70.3	68.9	71.7	71.9	68.5	63.6	63.6	65.2	65.2	65.0
Facial/Hankies	34.2	31.8	32.6	58.6	57.7	23.6	21.9	20.6	32.7	31.8
Kitchen Towels	76.0	74.7	79.7	83.3	82.8	70.3	67.9	72.1	74.3	75.4
Table Napkins	18.9	19.1	12.9	30.3	36.3	20.9	22.7	19.4	34.8	40.2
All Products	**67.8**	**66.4**	**69.3**	**72.6**	**70.7**	**61.7**	**60.9**	**63.0**	**65.0**	**65.7**

Source: A.C. Nielsen/PLMA reports

Supply Structure and Main Suppliers

Denmark used to be a traditional export market for the Nordic tissue mills, with imports coming predominantly from Sweden and smaller quantities from Finland. Germany was already an important supplier in the 1990s, but its relative position gradually improved, and in 2008 Germany was as big of a supplier as Sweden and during 2009 Germany seemed to have become the most important source for Danish tissue imports. The German share has increased together with the increase of private label share. Swedish suppliers have lost market share in Denmark: in 1997, Sweden accounted for 44% of all Danish tissue imports, but now represents only 31%.

The German WEPA Group has been particularly active in sales to Denmark and has gained a major market position as retailer label tissue supplier. SCA's new strategy to increasingly push its own brands in Europe has resulted in some market share loss in Denmark, while the company has concentrated on defending its margins at a reasonable level rather than keeping the volume, and thus it has lost several private label accounts in Denmark. SCA's logistic position for deliveries to Denmark is good as its main mill, Lilla Edet, is not very far from northern Denmark. However, SCA's internal production program policy means that not all products are made in Lilla Edet, and need to be transported to Denmark from other European mills located further away from the Danish border.

Metsä Tissue is another important Swedish supplier to Denmark. It supplies the country mainly from its Swedish mills, although certain products are imported from Finland. SHP Harmanec of Slovakia has established a substantial sales volume in Denmark, mainly because the company can offer recycled fiber-based grades to the value category at competitive prices. Georgia-Pacific is also active in Denmark with deliveries from its Dutch and Finnish mills.

There are also many other suppliers delivering tissue to merchants or traders in Denmark who continue to have a relatively strong position in the Danish distribution system. The position of these middlemen is, however, threatened by the entry of hard discounters-- Denmark is today a very price-conscious market and there is less and less room for middlemen's margins.

African Tissue Market Update

Strong Growth in North Africa

The African market for tissue products remains small and is now approaching the benchmark of 500,000 tonnes. Even with recent growth, it continues to account for less than 2% of global tissue consumption. This is quite low considering Africa's population of more than 900 million, which corresponds to approximately 14% of the world's population.

Africa's tissue consumption has shown an average growth rate of around 6.5% per year since 1991, adding some 320,000 tonnes to the total consumption volume in 17 years. Three countries -- the Republic of South Africa, Egypt and Nigeria -- account for a high share (72%) of the total regional consumption. The North African tissue markets, in particular, have recently shown relatively fast growth. Egypt has passed Nigeria in consumption volume and is now the second largest tissue market in Africa.

Development of Tissue Consumption in Africa 1991-2008

Country/Region	Tissue Consumption - 1,000 tonnes -						Relative Growth - % / a -		Volume Growth -1,000 t -
	1991	1996	2001	2006	2007	2008	'91-'01	'01-'08	'91-'08
Algeria	3	2	5	14	16	21	5.2	22.8	18
Egypt	8	21	31	66	69	74	14.5	13.2	66
Ghana	1	1	4	10	12	12	14.9	17.0	11
Kenya	5	11	13	17	17	17	10.0	3.9	12
Morocco	2	4	9	19	21	22	16.2	13.6	20
Nigeria	20	28	43	62	67	70	8.0	7.2	50
Rep. of S. Africa	105	140	167	189	199	202	4.7	2.8	97
Tunisia	2	3	7	13	14	16	13.3	12.5	14
Rest of Africa	18	28	36	44	46	49	7.2	4.5	31
Total	**164**	**238**	**315**	**434**	**461**	**483**	**6.7**	**6.3**	**319**

Per capita consumption of tissue averages approximately 0.5 kg in all of Africa, as the vast majority of people in most countries are non-users of tissue products. The general standard of living is simply still too low for the use of tissue in most African countries. For the most part, African countries typically have a per capita consumption of 0.1-0.6 kg. Only a fraction of the population uses tissue products regularly.

The Republic of South Africa takes the lead with a consumption of 4.1 kg per capita. But even there, tissue consumption is concentrated in the large metropolitan areas, such as Cape Town and Johannesburg, while most people living in the countryside are not tissue users at all. In North Africa and parts of West Africa, religious habits limit the use of toilet tissue.

Egypt Now Major Tissue Exporter

Africa has traditionally shown a small import deficit in tissue trade, but in 2008, Africa's regional trade was rather balanced. Export-oriented tissue capacity built in Egypt in recent years has made Egypt a major regional exporter, and its increased exports counterbalance the growing import needs of many other African countries. Tissue markets are so small in most African countries that the construction of a tissue mill is not attractive.

Egypt exports mainly to the Middle East, but also increasingly to Western Europe, where the UK has been the main trading partner. In 2008 the UK imported more than 28,000 tonnes of tissue from Egypt, both as parent rolls and converted tissue products. The Republic of South Africa used to be a net exporter, but today it imports more tissue than it exports. Swaziland and Tunisia are the two other main African tissue net exporters.

Production, Imports, Exports and Consumption of Tissue in Africa, 2008

Country	Production	Imports	Exports	Consumption
		- 1,000 tonnes -		
Algeria	14	7	0	21
Egypt	122	6	54	74
Ghana	6	6	0	12
Kenya	14	4	1	17
Morocco	10	12	0	22
Nigeria	67	3	0	70
Rep. of South Africa	200	7	5	202
Tunisia	23	2	9	16
Rest of Africa	25	36	12	49
AFRICA TOTAL	**481**	**83**	**81**	**483**

Building new tissue capacity in Africa can be difficult for companies lacking previous experience in the business and/or possessing a too optimistic view of the market situation, which easily results in an overinvestment. This happened in Algeria, where Tonic Emballage decided to build a new tissue machine (in addition to several other investments, including a board machine and numerous converting lines for a variety of paper products). The company, operated under the name SARL Ouate, started up a paper machine producing both tissue and MG paper in early 2006, but the machine never reached full capacity for several reasons, including mismanagement of the company. After three years of sporadic operation, the company had to file for insolvency in June 2009. The company is for sale and, at the time of writing, its future is still completely unknown.

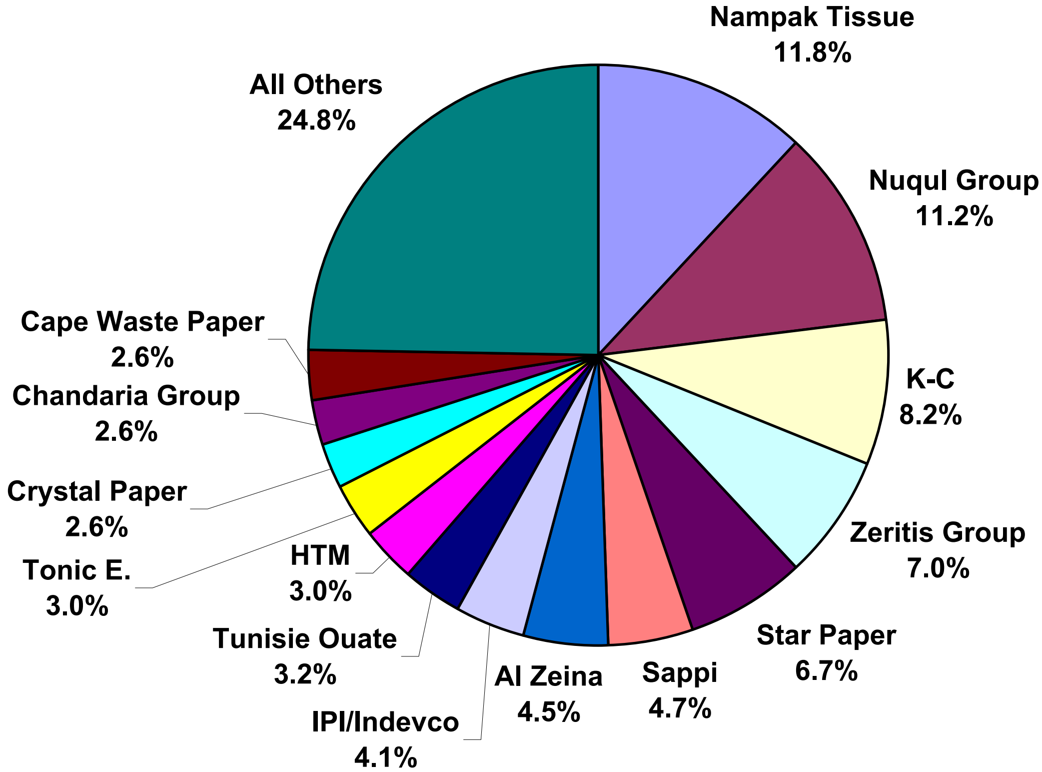
Main Regional Suppliers

Nampak Tissue of the Republic of South Africa continues to be largest tissue company in Africa after their acquisitions in the late 1990s, with the Nuqul Group (with capacity in Egypt) only slightly behind (see attached figure). Nuqul's new tissue PM in Egypt is also the only tissue PM wider than five meters in Africa.

Kimberly-Clark now holds the third position with its consolidated operations at just one mill in the Republic of South Africa. K-C SA has not undertaken any major expansion for several years, but the company has recently acquired all the remaining shares of its former joint venture.

The other main suppliers worth mentioning include: the Greek Zeritis Group (Pyramids Paper Mill in Egypt); Star Paper of Nigeria; Sappi (Republic of South Africa) with parent roll production only; and the newcomers Al Zeina (Egypt) and IPI/Indevco (Egypt). The 10th position is shared by three suppliers, each with 17,000 tonnes of annual capacity.

Capacity Shares of Main Tissue Suppliers in Africa



New Project Plans

There are several investment projects ongoing in Africa and more plans are still in desk drawers. Most projects are being developed in two countries: Egypt and South Africa. Egypt is attracting companies because of its low fuel and labor costs plus its good access to both the European and Middle Eastern export markets. In South Africa projects are rather small and based on secondhand equipment, aimed at serving the local market with recovered paper-based tissue products, mainly toilet tissue.

Internationally, the most important ongoing project is Indevco/Napco Group's (owned by the Frem Industrial Group of Lebanon) two-machine greenfield mill in Egypt. The first PM is already in operation and the second PM plus a deinking plant were due to come on stream by mid-2010, but the latest information is that the project is delayed and the second tissue will not come on stream before the first quarter of 2011. This mill will supply a substantial part of its production to export markets, primarily in the Middle East and North Africa, but probably in Europe as well.

Triwaste CC's (owned by Cape Waste Paper) and Mediterranean Tissue's secondhand tissue projects have rather high capacities, but in both cases the scheduled startup dates are uncertain, probably because of financing issues.

There are also a couple of confidential projects in the development phase, all of them located in North Africa. However, there is very little reliable information available and all news items have been more rumor than concrete information so far; therefore, we have not included them on the project list. Star Paper in Nigeria has announced an expansion plan, but our understanding is that the mill will first need to concentrate on running its existing tissue machines closer to their capacities before investing in additional new papermaking equipment.

Capacity Changes in the African Tissue Industry Since the Beginning of 2008

Company/Mill/Location	Date	Capacity Change - 1,000 t/a -	Remarks
SAPB, Société Anonyme des Papeteries du Belvédére, Cité El Khadra, Tunis, **Tunisia**	Q1 2008	2	Restart of PM4 after being idle for over a year and a half; not sure if continuosly operating
Al Zeina Tissue Mill, Cairo, **Egypt**	May 2008	30	New 2.75 m trim PM from PMT Italia to integrate converting operations
Yutong International Co., Kroonstad, **South Africa**	Q2 2009	4	Two new Chinese 1.88 m trim PMs from Shandong Zhucheng Dazheng Machinery Co.
Interstate Paper Industries (Indevco/Napco Group), Sadat City, **Egypt**	July 2009	28	New mill with a 2.8 m trim PM from A.Celli
Janjirker Paper Mill, Bellville, **South Africa**	Q4 2009	8	Secondhand PM
Mediterranean Tissue Company, New Borg El Arab, El-Gedeedah, Alexandria, **Egypt**	Q2 2010 (est.)	16	Secondhand 1.8 m trim PM from SCA Tilburg, Netherlands; startup date uncertain
South African Paper Mills (SAPM), Jacobs, Durban, Kwa Zulu Natal, **South Africa**	Q3 2010 (est.)	4	Flat-wire tissue PM based on parts from several suppliers; project delayed
Triwaste CC, Tongaat, **South Africa**	Q4 2010 (est.)	24	Secondhand PM from Italy; startup date uncertain
Carmen Tissues Co., 6th October City, El Giza, **Egypt**	Late 2010	6	PM upgrade and restart after revamping that began in 2008
Interstate Paper Industries (Indevco/Napco Group), Sadat City, **Egypt**	Q1 2011	28	Second 2.8 m trim PM from A.Celli for the new mill and completion of a deinking plant; delayed

Recent Tissue Industry News Worldwide

North America

South Georgia Tissue to Build New Parent Roll Mill

South Georgia Tissue LLC (SGT) will be opening a greenfield tissue mill in central Georgia, USA, in the first quarter of 2011, according to the company's own announcement. Despite uncertain economic times, SGT's executives are committed to opening the new mill and providing stimulus to the local economy. The new mill is dedicated to the production of parent rolls for the domestic market. With a state-of-the-art design around process efficiency and a minimized environmental footprint, this mill will have a first phase capacity of approximately 33,000 tons/yr of parent rolls on either a recycled fiber or virgin pulp basis.

Once both phases of construction are complete, it is estimated that SGT shall produce more than 66,000 tons/yr and employ almost 210 people from the local labor pool. The exact location of the new facility has not been revealed, but it should be about 20 miles from Augusta, Georgia. No machinery supplier names are available at this moment. CEO F. Raymond Stoveken says: "It has been a long and thoughtful process to get from concept to reality and we are grateful to the support of our staff, the local and state authorities and our customers for making this new mill possible."

SGT is set to commence vertical construction in early 2010. The new facility is situated on a 31 acre (12.5 ha) parcel of land with rail access. Mr. Stoveken and VP and CFO Andrew L. Thompson are addressing customer interest in establishing a standalone customer-run converting facility on site. When asked for comment, Mr. Thompson said: "We are quite comfortable with the plan we have set forth but, we are always open to entertain ideas from industry associates. It has been our experience that under the right conditions, long-term relationships with outside firms can be symbiotic. Both Ray and I agree that our primary interest is twofold, to consistently provide the highest quality product to our customers whilst being good stewards to our company, the community in which we are operating, its employees and the environment."

New AfH Parent Roll Mill Plan in Solvay, New York

Empire Tissue Company, LLC (ETC) is planning to build a US$125 million facility to produce parent rolls for recycled bathroom tissue, towel and napkin converters operating in AfH industrial tissue sector and selling their products to janitorial service providers, factories, schools, office buildings and restaurants throughout the US Northeast and mid-Atlantic regional markets.

Production capacity will be 70-75,000 tonnes annually and the mill will be located in Solvay, New York. ETC is currently concluding the purchase agreement of a 67 acre (27 hectares) property, which is part of the old Allied Chemical waste bed operation and would be bought from its current owner Honeywell International Inc. Honeywell, which merged with Allied in 1999, would pay for cleaning up the property as part of the sale agreement.

"This facility will play a vital role both in the re-development of a "brownfield" site in the village of Solvay, while fostering important economic development with the creation of 82 permanent manufacturing jobs," said Jim Austin, Founder and President of ETC.

Empire Tissue Co. is applying to the state grants under the Upstate Regional Blueprint Fund to help build the huge plant. The US$120 million state fund is reserved for downtown redevelopment, infrastructure upgrades at development sites, and new investments in buildings and equipment. However, it is not sure whether Empire Tissue's project will qualify under this scheme.

Initial site remediation and project permitting approvals are scheduled to be complete by June 2010. Financial closing is expected in the third quarter of 2010 followed by a construction time of 18-24 months. Operational start-up is planned for mid-2012, with full capacity to be reached by the end of that year. O'Brien & Gere, an employee-owned engineering and project delivery company, has been committed to support the site preparation, financing, engineering and construction tasks of the project.

Blue Heron Paper Files for Bankruptcy Protection in Oregon

On December 31, 2009, newsprint and tissue producer Blue Heron Paper Co. announced it has filed for bankruptcy protection in Portland, Oregon, in order to reorganize and restructure the company. "I am sorry for the disruption this will cause our creditors, suppliers and particularly our employees, but there appears to be no other choice for the company," stated CEO Mike Siebers.

The mill in Oregon City has total capacity of 244,000 tons/yr of mostly recycled content newsprint, groundwood papers and tissue (32,000 tons/yr). The company said it has worked diligently for the past 18-24 months to improve its performance "in the most difficult of market conditions" and has restructured certain obligations and sought additional financing, "but demand and pricing for some products has continued to suffer while costs overall remain high, and financial markets seem to be closed to small [companies] like ours that work on Main Street," Siebers added.

Blue Heron hopes to avoid downtime associated with the bankruptcy filing which would be "devastating to our business and future," Siebers said. The employee-owned company laid off 10% of its workforce in July 2009 and now employs 216 workers. In late 2008 the mill converted one of three paper machines to produce "Green Seal"-approved commercial/industrial toweling in order to diversify its business.

No Freshwater Tissue Project

Freshwater Tissue Company, the owner of California's last pulp mill and the only pulp mill with chlorine-free bleaching in the USA plans to permanently close. The current owners of the Samoa, California pulp mill were unable to obtain federal stimulus funds to convert the Samoa mill into an integrated tissue plant and create 425 direct and 2,500 indirect green jobs, according to the company. When the new owners acquired the Samoa mill in February 2009, their vision was to make the mill competitive by manufacturing consumer-ready, eco-friendly, chlorine-free toilet tissue. The collapse of the banking industry and unsuccessful efforts by both federal and state lawmakers to help fund the "renewable stimulus project" resulted in the decision to finally cancel the plan.

Bob Simpson, President of Freshwater Tissue Company said: "I left Samoa in 1996 after eliminating the use of chlorine at the pulp mill. I returned to Samoa in 2009 with a vision of converting the only US chlorine-free pulp mill into an integrated tissue mill, and providing sustainable jobs for a green economy. The current financial crisis made this nearly impossible so we turned to President Obama's green stimulus plan for support. We had hoped that our federal and state lawmakers would help us obtain federal stimulus funding which was designed precisely for green manufacturing projects that are sustainable and create living-wage American jobs. I am extremely disappointed. Humboldt County needed these jobs and America needed this green technology."

G-P to Indefinitely Idle PM2 at Wauna Mill, Oregon

Georgia-Pacific plans to indefinitely shut down one of the older paper machines at its Wauna tissue paper mill in Clatskanie, Oregon, according to a local press report on December 4, 2009. The mill has five paper machines including two that were built in the past six years.

PM2, which dates to 1968, will be closed indefinitely, affecting 28 jobs, but kept in a ready-to-run status, The Daily Astorian reported. The company said the machine did not have any orders for the first half of 2010. It has capacity of 57,000 tons/yr, accounting for about 17% of the mill's total capacity of about 340,000 tons/yr.

"Demand on our other paper machines remains strong," a spokesperson told The Daily Astorian. "The mill is fortunate to have had a significant amount of investment over the past decade and it remains a strategic investment for G-P. It's also important to note that the PM2 personnel operate the machine extremely well, but it has high operating costs plus it's not capable of running the grades of paper that are in demand right now." The Wauna mill employs about 970 workers.

G-P Closing Capacity at Day Street Mill in Green Bay

Georgia-Pacific (G-P) will lay off 158 workers at its Day Street tissue complex in Green Bay, Wisconsin, as a result of a decision to permanently reduce operations at the Day Street plant. The company is closing one tissue paper machine, a recovered paper deinked pulp line (using 160,000 tons of recovered paper annually), and seven converting lines, of which two are retail towel lines (making "Sparkle" and private label towels) and one is a bathroom tissue line.

"It's basically an overcapacity issue," a union representative commented on the decision. The layoffs are expected to be completed by February 2, 2010, and by law employees will remain on the payroll with full benefits until that date. The company said in a state filing that on or around Monday, December 7, it would shut the secondary fiber plant, PM8, and the north wall tissue converting lines. The closure of the two retail towel converting lines is indefinite, G-P added.

PM8 has a trim width of 162 inches (411 cm) and an estimated capacity of 35,000 tons annually, but has reportedly operated at less than full capacity recently. The PM8 closure could be permanent because G-P has overcapacity and has continuously taken downtime at several of its mills as a consequence of the ongoing US tissue market weakness, but there is no confirmation yet. PM9 at the mill is also idle currently, leaving only PM1 and PM7 running.

G-P produces at the converting plant mainly retail products under the "Angel Soft", "Quilted Northern", "Sparkle", "Vanity Fair", "Brawny", and "Dixie" brand names. It is the mill where "Northern" bathroom tissue was founded, and it celebrated its 100th anniversary in 2001. There was also a fire at the mill in the night from December 2 to December 3, but it was in the airlaid manufacturing section of the mill and did not have any effect on tissue operations.

Cascades Inaugurates Major Tissue Converting Expansion in Lachute, Quebec

On October 19, 2009, Cascades celebrated the official inauguration of a C$15 million expansion of its Lachute, Quebec, tissue paper plant. The extension will increase the plant's converting capacity by about 50%, pumping out almost 3.4 million cases of paper hand towels and tissue papers for commercial and industrial clients.

The 6,800 m^2 expansion also sees the replacement of five older converting lines by a single line that uses the latest technology, according to the company. Investissement Québec provided a loan of C$3.1 million, while Emploi-Québec offered C$379,000 to train employees on the new equipment. The government and corporate investments in the paper plant secure about 160 jobs, said Alain Lemaire, President and CEO of Cascades Inc.

Suzanne Blanchet, CEO of Cascades Tissue Group, said that while the recession has seen the commercial demand for paper napkins drop, paper towels sales have increased, linking the increased demand to more hand-washing in a bid to avoid germs and the H1N1 flu. The company has recently embarked on a publicity campaign promoting the use of paper towels instead of hot-air dryers, which, it says, have been shown to spread bacteria.

Cellynne Targeting Full Integration at Florida Tissue Mill

Cellynne, which started up two new tissue paper machines in less than three years at its Haines City, Florida, mill, plans to fully integrate the complex with a new converting line as well as a speed-up of another one, a company official said today. The work on the two projects, expected to cost about US$12 million, should be completed in the second quarter of 2010 and will turn the Haines City complex into a 100% integrated operation, from tissue paper to end product.

At full capacity on the two lines, the company could turn out an additional 3.65 million cases/yr of product. About 90% of Cellynne's output goes to AfH customers. Converting line 14 should be added by mid-December 2009 and fully operational by February 2010, turning out 5,000-6,000 cases/day initially.

The complex's line 3 will be sped up to add about 3,000-4,000 cases/day, a 25-35% increase. This project will take three to four weeks and is to be completed by the end of March 2010. It will be done after the work on line 14 is completed.

In January 2009, Cellynne started its second Metso "Advantage DCT 100" tissue PM at its Haines City mill near Orlando. The first one began in April 2006. In moving ahead with the converting line project, Cellynne delayed plans until 2011 for developing a deinking line at Haines City.

NPS Corporation Expands Its Specialty Tissue Business by Acquisition

Blue Ridge Tissue Corporation, a subsidiary of NPS Corporation, has purchased the Patterson Tissue Mill assets from its current owner, Omni Supply Inc. The Patterson mill is located in Patterson, North Carolina. Sealed Air Corp. also belongs to its former owners.

Andrew Hetzel, Jr., President and CEO of NPS said: "The acquisition of the Patterson mill assets represents a key strategic move to ensure a bright future for our Specialty Tissue Business as NPS will no longer need to purchase any of these tissue tons through parent roll suppliers, thereby ensuring an adequate supply and lower costs as we move forward. We are delighted to be able to maintain all of the existing jobs at the Patterson mill and with the relocation of applicable NPS converting equipment supported by the mill, we anticipate adding another 15 employees to the mill by January 2010."

NPS will immediately start the transition of its Specialty Tissue Business to the Patterson mill. The company was founded in 1996 after acquiring the assets of Kimberly-Clark Corporation's Protective Packaging Business. Such products are now marketed under the NPS brand name "Versa-Pak." The Patterson mill will manufacture all of the tissue required for this business. NPS also markets a line of the wiper category (Spill Control Products) under its "Spilfyter" brand name and a line of tissue and towel products under its "Response" brand name. NPS is headquartered in Ashwaubenon, Green Bay, Wisconsin.

Irving Fort Edward Mill Gains NY State Grant for Converting Line

Irving Tissue was awarded a US$600,000 state grant to be used toward a new tissue project at its Fort Edward, New York, mill. The new funding was part of US$9 million in new grants announced Oct. 23 by the Empire State Development Corp. (ESD) to retain existing jobs and create new jobs in the state.

ESD said in a press release the grant is toward a US$34.7 million new parent tissue roll converting line at Irving's existing 19,000 tons/yr mill. "ESD's grant will secure the long-term viability of Irving's Fort Edward facility and its 20 existing jobs by inducing the company to proceed with its Facial Folder project in New York State rather than in one of the company's Canadian facilities," the agency stated. "The company is Washington County's second largest employer and competes against large producers such as Kimberly-Clark and Procter & Gamble."

Irving plans a new 35,000 tons/yr TAD tissue machine at the mill to start up in 2010 in an overall reported US$155 million investment project.

Major Investments Completed by von Drehle

Spending US$55 million in the last 18 months, von Drehle started a 29,000 tons/yr Metso PM and deinking line over the summer at its tissue mill in Cordova, North Carolina. This investment makes the company almost fully integrated, and it also began operating a high-speed US$5 million converting line at its Maiden, North Carolina, plant this year.

The PM is still being brought up to full capacity, which should occur by the end of 2009, a contact said. Maiden's new high-speed automated standard bath tissue converting line recently started and is a capable of producing more than 1 million cases/yr of 100% recycled 1- and 2-ply standard roll bath tissue. The supplier of the line is PCMC.

Kimberly-Clark Professional Launches Global Environmental Sustainability Campaign

"Reduce Today, Respect Tomorrow" is the main motto behind the environmentally focused, global communications campaign being launched in early October by Kimberly-Clark Professional. The campaign takes a bigger-picture approach to environmental sustainability and is the first truly global communications campaign developed by Kimberly-Clark Professional. While many people have come to regard recycled fiber content as the main measure of environmental stewardship, Kimberly-Clark Professional takes a broader approach.

Focusing only on 100% recycled fiber content does not address the total picture, nor is it the best approach to environmental sustainability, says the company. Rather, K-C Professional looks at a bigger picture and strives to reduce environmental impact at every stage of a product's lifecycle. This approach to the environment is based on source reduction. Source reduction is essentially waste prevention, or designing products to eliminate waste at the start -- before it ever becomes waste. Products created with source-reduction in mind are designed in such a way that users actually consume less, either through improved performance, more reliable dispensing methods or both. And if less is consumed in the first place, it often means there is less packaging waste, which further reduces the amount of waste to recycle or send to landfill.

Yet, reduced consumption is only part of the solution. K-C Professional also considers ways to reduce environmental impact at every stage of a product's lifecycle, including:

- Developing unique fiber-efficient technologies, such as the patented UCTAD manufacturing process, which reduces by up to 17% the amount of fiber needed to make tissue, towel and wiper products versus competitive wet press technology.

- Compressing or redesigning products and packaging so that more fits into every case.
- Introducing products such as "Scott Coreless Standard Roll Bath Tissue", which reduces packaging waste by nearly 55%, compared with standard roll bath tissue, including 100% core and paper wrap elimination.
- Resizing cases to optimize how they fit onto standard pallets, so truck space can be used more effectively, reducing the total number of deliveries needed to fill orders.

Georgia-Pacific Wauna Mill Lays Off 15 Workers

Starting this week, 15 workers will be laid off from Georgia-Pacific's Wauna Mill, Oregon, for an extended period. The layoffs will come from the labor pool, a group of workers who fill vacancies as needed in a variety of jobs at the mill.

Kristi Ward, public affairs manager for the company, said it's the first time in "many years" the mill has had to impose involuntary layoffs. Last year, Ward reported the company's bathroom tissue was steady, but sales of other products had fallen. She said: "Taking workers off the paper machines and training them for other jobs at the mill instead of laying them off was not a viable option at this time. Our production schedule is changing, and in order for the mill to remain successful in the long term, we need to do this."

Kruger Names New VP for International Operations

Glenn Taylor has been hired by Kruger Products as Corporate VP International Operations. He has 20 years of experience with Georgia-Pacific Corporation. His previous role was President of Georgia-Pacific Mexico.

In the mid-1990s Mr. Taylor developed the Fort Howard (and later on Fort James) tissue business in China. Besides China, he has previously lived and worked in South Korea, Oklahoma, Oregon, Washington and Mexico. He will be relocating to Toronto, Canada.

Western Europe

LPC Plans New Tissue Paper Mill in the UK

The LPC Group (LPC) is planning to develop a second UK paper mill, close to its current base in Leicester that will create 100 new jobs. This move will help the company to strengthen its position as the leading supplier of private label tissue products in the UK and take UK capacity up to 135,000 tonnes per year. By building the new mill close to its other processing plants the company says it will reduce its carbon footprint by producing more paper locally and minimizing road transport between the processing centers.

Salim Tejani, Project Director for LPC, says "currently the UK is a net importer of paper and as a group we remain a large buyer. Building an additional paper mill near to our other plants in Leicester ensures we can import less paper into the UK, reduce our carbon footprint and continue the drive to further improve service to our customers."

The expansion of the company's operation is not just limited to their Leicester base. With investments planned in its European operations in Duffel (Belgium) and Roanne (France) the company also expects to create new jobs at these sites. Upgrading the Roanne site is planned early in 2010 while the company is aiming to begin construction of the new UK site in the second half of 2010, subject to the necessary planning approvals.

Sofidel Acquires Papyros Paper Mill in Greece

Italian tissue producer Sofidel has purchased Papyros Paper Mill, a company operating a tissue mill in Katerini, near Salonica (Thessalonica/Thessaloniki), Greece. The Italian company hailed the acquisition, whose price tag was not revealed, as a step toward the further internationalization of its operations.

Besides its Italian facilities, Sofidel operates manufacturing facilities in France, Germany, Poland, Spain, Turkey and the UK. The firm is also on an expansion course in France, where it recently announced it would build its second new 60,000 tonne/yr tissue mill by 2014.

Papyros can produce some 25,000 tonnes/yr of tissue on its lone Recard machine, which is only two years old. The company employs 40 people who will continue with the new owner. The deal does not include converting operations, which are close to the mill but run under the name Maxi S.A., Paper Industry. Maxi also offers products other than converted tissue, such as cleaning supplies and detergents and employs some 120 people in Katerini.

Northwood Paper Acquires Kruger's UK Tissue Business

Kruger Inc. has decided to exit from its tissue business in the United Kingdom and has sold its UK tissue assets to the owners of Northwood Paper Sales Ltd. Kruger's tissue mill in Disley and the converting facility in Penygroes in Wales will be run separately by two new companies.

Disley Tissue Ltd. is the new name for the formerly traded Kruger Inc. (Disley Mill) located near Stockport, Cheshire. Disley Tissue operates from a 47-acre site (19 hectares), and consists of a tissue paper mill capable of manufacturing 24,500 tonnes of high quality recycled tissue and 33,000 tonnes of de-inked pulp made from recovered paper annually.

Connect Hygiene Products Ltd. is the new name for the formerly traded Kruger Tissue Industrial Ltd. Connect Hygiene operates from premises in Penygroes, North Wales, and converts recycled tissue parent rolls into toilet paper and kitchen/industrial wiper rolls, and also markets a full range of hand towel products.

Paul Fecher, major shareholder of the new companies, said: "We are pleased to have been able to acquire Kruger's operations in the UK which with hard work, investment and re-direction will grow to represent an even more important share of the UK market for recycled tissue and hygiene products. We look forward to working closely with the local management and the experienced work force and further enhancing the businesses. We have been very fortunate that the Devonshire Corporate Finance team introduced us to KBC Business Capital and assisted and provided invaluable advice and worked as an integrated part of our team to successfully complete the acquisition."

Disley Tissue and Connect Hygiene Products were advised by Devonshire Corporate Finance Ltd. and received legal advice on the transaction from Rosenblatt Solicitors, and tax advice from Kingston Smith LLP.

WEPA Completes Acquisition of Kartogroup's Assets in Europe

On December 17, 2009, the WEPA Group finalized the acquisition of Kartogroup. The court in Lucca has legally and bindingly transferred all assets of the former Italian paper manufacturer to the WEPA Group in accordance with paragraph 167 of the "Concordato Preventivo" (an Italian insolvency settlement proceeding). The relevant purchase agreements were signed on December 17. By "Signing & Closing," WEPA has become the proprietor of these assets and has taken on all of the employees, more than 1,000 in total, from the sites in Italy, France and Germany.

Martin Krengel, CEO of the WEPA Group, said: "This is not only a forward-looking step towards the future for us, but a visionary step in the history of our family business. After a year and a half of demanding financing negotiations and the completion of complex insolvency proceedings, we have now managed to gain ownership of Kartogroup. We are particularly happy to announce that this has occurred six months earlier than planned, therefore allowing us to share the good news with our employees before Christmas! A big thank you to all employees who have made this step possible and have at the same time supported the integration of the Kartogroup sites, which were previously leased or operated for contract manufacturing purposes."

With this transfer of ownership, the WEPA Group is underlining the European focus of the company as a whole and can now deliver to its European trade partners from 10 sites located in Germany, Italy, France, Spain and

Poland. According to WEPA, they will in the future continue to concentrate on the manufacturing and distribution of private labels to provide their European clients with added value through innovative products and concepts.

The WEPA Group now has over 2,900 employees and evenly vies for the fifth largest position in the manufacture of hygienic paper in Europe with Metsä Tissue. The integration process, which already began in the summer of 2008, is supported by various workgroups and will be finalized within the next months.

Due to the consistent growth trend of the WEPA Group in recent years, it has become necessary to restructure the organization. As of January 1, 2010, regional and functional responsibilities in the operative business will be redefined and transferred to the managing directors of different divisions. Strategic responsibility will be assumed by the WEPA Industrieholding SE, which was established by the Krengel family and the executive management board last February. The administrative headquarters of the holding company will be relocated to Alt-Arnsberg.

The future business development of the company will therefore remain in the hands of the proprietary families and other members of the executive management board. Martin Krengel said: "WEPA will remain a family business and continues to attach great importance to a value-based management of the company. Within a short space of time, we have developed an organizational structure that is appropriate for the new size of the company and will allow us to fulfill future challenges on a European scale."

Cominter Wrapping Up Acquisition of Kartogroup's Assets in Spain

The Spanish investment company Cominter Group is finalizing the acquisition of the 75% share in Kartogroup España it did not yet own. The purchase price was not revealed. The tissue mill in Spain is the only part of Kartogroup not included in the takeover action by the German WEPA Group.

Due to the financial difficulties of its former holding company, Kartogroup España had to file for insolvency last year, but managed to keep production running throughout the restructuring process. The firm manufactures approximately 44,000 tonnes/yr of tissue and employs 175 people at its mill in Burriana, Spain. Once the acquisition has been finalized, Kartogroup España will be renamed.

SCA Sells Pratovecchio Mill to Cartiera Carma

SCA has reached an agreement to sell its Italian Pratovecchio facility and paper machine to Cartiera Carma. The transaction will result in neither capital gain nor capital loss. The agreement follows an announcement in March 2009 aimed at improving supply-chain operations in Italy. A concentration of resources to nearby Lucca was decided and implemented. At that stage, a closure of the Pratovecchio paper machine was discussed.

However, SCA has instead reached an agreement to sell the property and paper machine to Cartiera Carma, a privately-owned (Carrara family) company based in Italy. The paper machine has a capacity of approximately 20,000 tonnes/yr, and the 24 employees currently working in paper making will continue their employment. The transaction will become final before the end of December 2009.

CDM Tissue Mills Still Idle in Italy

Employee representatives are beginning to doubt that Italy's CDM Group, which ceased tissue production several months ago in the face of financial problems, will restart in the near term as had been negotiated with the local authorities. In July, the local government announced that an agreement had been signed by authorities, representatives of the company's existing management, labor bodies and members of the proposed new management company, CIM.

The deal saw CIM commit to leasing CDM's facilities and restarting production in the coming months, employing the same staff members currently tied to the group. However, the employees at the plant have thus far received no news, besides approval from the local government to seek loans on favorable terms from local banks in anticipation of "cassa integrazione" payments, which are supplied by the Italian government to employees whose companies are forced to take downtime for economic reasons.

The CDM Group and CIM have thus far been unable to clarify when or if production will restart at the plants. The group owns two tissue mills: Cartiera della Madonnina in Lucca, which can produce 20,000 tonnes/yr, and the 30,000 tonne/yr Villanovetta mill in northwest Italy.

SCA to Increase Tissue Production at Lilla Edet, Sweden

SCA has received permission from the regional environmental court in Vänersborg to increase tissue production by around 10% at its Edet mill in southern Sweden. "This is an adaptation to the capacity that we have. It involves no new investments or hiring, but it's rather an effect of continuous improvements and tuning," the mill's environmental and quality manager Gunnar Johansson told RISI.

The mill had applied for permission to increase production of deinked pulp from 83,000 tonnes/yr to 93,000 tonnes/yr and tissue from 100,000 tonnes/yr to 110,000 tonnes/yr for 2008-2009. The positive verdict came in the middle of October 2009 and the firm is now planning to seek permanent approval to increase production further.

"We won't reach the new maximum targets this year, but we will exceed the current production limits," Johansson said. The firm has yet to decide what maximum production levels it will apply for next.

Lucart Abandons Biomass Project at Diecimo, Italy

The Lucart Group has jettisoned plans to build a new biomass plant at its Diecimo tissue mill in Tuscany, Italy. The group, known until recently as Cartiera Lucchese, ascribed the move to the poor economic situation, but also to a great deal of local opposition to the project. It bemoaned the need to dump the scheme, explaining that the construction of the energy facility was a key part of its development plans.

Waste disposal from its papermaking processes in Italy had become an issue of some concern to Lucart, and the biomass plant would have allowed it to close the production cycle by burning it for energy. As a consequence of not being able to carry out the biomass scheme, the group's administration anticipates a need to reorganize and make job cuts in Italy. Some 30 to 35 dismissals are presently on the cards there.

Local authorities have responded angrily to the linkage of their opposition to the biomass plant with the cuts. "It [the dismissal announcement] is a unilateral act and as such it should be rejected," said one regional official, who promised to collaborate as far as possible with employee representatives and the local government to prevent the job losses.

Besides the 106,000 tonne/yr Diecimo mill, the Lucart Group runs another plant in Tuscany, the Porcari mill, which can produce 72,000 tonnes/yr of kraft paper and 28,000 tonnes/yr of tissue. It also owns a facility in Troyes, northeastern France, where it can produce 32,000 tonnes/yr of tissue on one machine, and Novatissue in Laval-sur-Vologne with a total capacity of nearly 50,000 tonnes/yr on two machines. The group recently unveiled plans to install a 35,000 tonne/yr PM at the Troyes site, as well as new converting equipment, by the first half of 2011.

Death at Cartiera di Cagliari Tissue Mill in Italy

A contract worker has died at Pro-Gest's Cartiera di Cagliari, a 22,000 tonne/yr tissue mill in Sardinia, Italy. According to labor sources, in late September 35-year-old Walter Cabiddu seems to have been pulled into a winder section, where he was killed before colleagues could come to his aid.

The mill, where Cabiddu had been working for some months, restarted production in April after Pro-Gest acquired it in 2008. It had been idle for some time. Pro-Gest has declined to comment on the incident or to reveal if the mill's production activities were interrupted.

SCA Launches Paper Towels with Built-In Cleaner

SCA has introduced new products which the company calls "the world's first paper towels with built-in cleaner." The new product is marketed under SCA's brand names "Zewa Aktiv-Wisch-Tuch" in Germany and "Plenty Active Wipe" in the Benelux countries.

The idea behind the new paper towels is that by just moistening the towel with water, it will remove dirt quickly and easily without having to add a cleaner. "The tissue is notably tear-resistant even moistened, and effective against honey, jam, oil, grease and other kind of dirt in kitchens, bathrooms and the rest of homes, for example sinks, floors, walls, gardening tools, and so on," a company spokesman said. The new product is biodegradable and dermatological tested.

Eastern Europe

Higi Papirsoft Finally Started Up in Hungary

Higi Papirsoft (or Papersoft) started up its new 30,000 tonnes/yr Over Meccanica PM in late November-early December 2009, and trial runs with the PM and rewinder have continued ever since. Higi looks forward to having a quick ramp-up after the ongoing intermittent trials and beginning full commercial production soon. The mill, located in Szolnok, has had to delay the startup several times as financing for the completion of the project was missing. The company has been very quiet about the current phase and would not like to make any more information public.

Our sources from suppliers operating in Hungary, however, say that the ownership of Higi has changed, and that the current majority owner is a company that has been so far been involved in the real estate business in Hungary. Reportedly, the new owner gave the additional funds needed to complete final installations, which were 85-90% ready before the work was stopped because the original budget was exhausted and the lender bank denied additional financing. Higi Papirsoft would not comment on the ownership change.

Hanke Tissue Restarts Upgraded PM in Poland

Hanke Tissue has finished the upgrade of the sole unit, PM1, at its mill in Kostrzyn, Poland. The machine was out of action from August 26 to September 6. The rebuild was done by PMPoland, a member of the PMP Group. Production was fully stopped during the rebuild.

The goal of the revamp was to increase capacity of the unit by 20% from 12,000 tonnes/yr to 14,400 tonnes/yr. The maximum speed has also increased from 650 m/min to 800 m/min. The PM has been fitted with a new headbox, a fan pump and a stock approach piping. The existing stock preparation system was also revamped, splitting the single line into two separate lines for long fiber and short fiber pulp and installing a new line for broke treatment.

Latin America

CMPC Continues Tissue Investments, New PM for Brazil

In October 2009, CMPC approved the construction of a new 54,000 tonnes/yr tissue PM at its Caieiras plant, the former Melhoramentos mill in Sao Paulo, Brazil. Melhoramentos had been planning this investment already before the company was acquired by CMPC Tissue earlier this year.

The investment will cost US$60 million and it will increase CMPC's tissue capacity in Brazil to some 130,000 tonnes/yr. No supplier names have yet been revealed. The startup of the new PM will be in 2011 but no more detailed time schedule has been officially announced.

CMPC to Invest US$80 Million in New Tissue PM in Chile

Empresas CMPC on October 6 submitted an environmental impact assessment (EIA) to the Chilean Environmental Authority (Conama) to install a new 54,000 tonnes/yr tissue PM at its Talagante plant, in Santiago, Chile. The new PM will join other two PMs that currently manufacture 64,000 tonnes/yr of tissue paper at that mill.

According to the EIA, the project comprises an investment of US$81 million, which will also be used for the installation of new tissue converting lines, among other equipment. The new PM will be furnished with virgin fiber as well as recovered paper.

SCA Breaks New Ground with Hygiene Acquisition in Argentina

SCA has, through its Colombian joint-venture company, acquired Algodonera Aconcagua, one of the largest players in feminine care in Argentina. The decision to acquire Algodonera Aconcagua was taken by SCA's half-owned, joint-venture company in Colombia, Productos Familia S.A. The purchase price is approximately SEK 165 million (US$23.5 million) on a debt-free basis.

The operation of the acquired company focuses on feminine care products, an area in which Algodonera Aconcagua currently holds a market share in Argentina of about 20%, placing the company in the third position in the country. Regarding the market for feminine care products, the three largest companies account for about 80% of sales. Algodonera Aconcagua also holds a small market share in baby diapers and incontinence care, which presents the potential for future expansion in these segments.

"This acquisition gives us a strong foothold in what is a new and attractive market for us with considerable growth potential. The transaction is entirely in line with our strategy, which is to expand in selected, clearly identifiable emerging markets," says President and CEO Jan Johansson.

Kadant to Supply Stock Preparation System for Recycled Tissue Producer in Mexico

Kadant Lamort SAS, a subsidiary of Kadant Inc. received a repeat order for its compact stock preparation system from a major South American based tissue producer for installation at its plant in Mexico. The new system has a capacity of 220 tons/day and includes pulping, screening and cleaning equipment.

"The past performance of our stock preparation systems in tissue mills and Kadant's turnkey capabilities provided strong justification for the purchase of a fourth Kadant system [by the same company]. Our emphasis on cost-effective solutions makes the compact stock preparation system concept appealing to many of our customers," said Alain Serres, President of Kadant Lamort. The new system is expected to start up in August 2010, indicating that the plant is likely for the new Voith PM which is due to come on stream at CMPC's Altamira mill in the second half of 2010.

APP Enters Brazilian Tissue Market

Asia Pulp & Paper (APP) has started selling tissue paper in the Brazilian market. The company will exclusively offer paper in reels to be converted and branded by local suppliers. According to APP Brazil's general director, Geraldo Ferreira, the company decided to enter the tissue market as it identified an opportunity in Brazil. "There are many local industries that find it hard to increase production since it would require them to invest in new equipment. Now those companies will have the option to buy the paper from APP and commercialize it with their own brand, growing accordingly to demand," Ferreira said.

APP expects tissue paper to represent 10% of its sales in Brazil in 2010. The company already supplies the Brazilian market with coated and uncoated woodfree paper as well as specialty and packaging paper. Globally, APP has been in the tissue segment since 1997 and is currently one of the top five producers with an installed capacity of 0.7 million tonnes/yr at its mills in China and Indonesia.

Near and Middle East

Metso Confirms Complete Tissue Line Delivery to Hayat Kimya, Turkey

Metso will supply a complete tissue production line to Hayat Kimya A.S., Turkey. The line will be installed in the company's mill in Yeniköy, which is located near the city of Izmit. Startup is planned for the fourth quarter of 2010. The value of the order will not be disclosed. The order is included in Paper and Fiber Technology and Energy and Environmental Technology's Q4 orders received.

Metso's scope of delivery will comprise a complete tissue production line including a stock preparation system and a tissue machine. Furthermore, the delivery will include an extensive automation package with machine, process and quality controls. Complete engineering, installation supervision, training, startup and commissioning are also included in the delivery.

The new line will have a design capacity of 70,000 tonnes annually of high-quality facial, toilet and towel grades. Raw material for the new line will be virgin fiber. The production line is optimized to save energy and to enhance final product quality.

Hayat Kimya A.S. is part of the Hayat Group. The Hayat Group primarily operates in the chemicals, hygienic products, paper and wood-based industries. The Hayat tissue facilities have an annual paper production capacity of 65,000 tonnes and a converting capacity of 60,000 tonnes/yr. With the new investment the total production capacity of Hayat Kimya will reach 135,000 tonnes, making it the largest tissue producer in Turkey.

Ipek Kagit Opens New Tissue Plant in Manisa, Turkey

İpek Kağıt, a joint venture between the Turkish Eczacıbaşı Group and Georgia-Pacific, one of the world's largest tissue paper producers, has inaugurated the first stage of its new production facility in the Manisa Organized Industrial Zone. The US$40 million investment will manufacture tissue paper products.

The inauguration of the new converting facility took place on Tuesday, 20 October, 2009, with the attendance of Eczacıbaşı Group Chairman Bülent Eczacıbaşı, Eczacıbaşı Group Vice Chairman Faruk Eczacıbaşı, Georgia-Pacific EMEA Consumer Business President Tarek Hallaba, Eczacıbaşı Group President and CEO Dr. Erdal Karamercan, and İpek Kağıt General Manager Sertaç Nişli.

In his speech, Georgia-Pacific EMEA Consumer Business President Tarek Hallaba noted: "The Turkish market is of strategic importance. Georgia-Pacific sees İpek Kağıt as a valuable partner of its European portfolio. With this new mill and with the ongoing commitment of İpek Kağıt into research and innovation, I strongly believe that we are now in a good position for future growth."

İpek Kağıt General Manager Sertaç Nişli recalled that İpek Kağıt's success story was about dedicated people who from the very start worked as a team and embraced quality as their way of life: "Now in its 40th year, İpek Kağıt has five powerful brands that are household names in Turkey -- 'Selpak', 'Solo', 'Silen', 'Servis' and 'Marathon' -- a rich product portfolio, state-of-the-art production plants and high quality human resources. This investment will create the additional capacity we need to maintain our leadership in Turkey while rapidly increasing our sales into key export markets."

Hard Discounter BIM Planning to Enter Tissue Production in Turkey

The Turkish hard discounter chain BIM -- also called as Aldi of Turkey -- is reportedly negotiating with renowned tissue paper machinery and converting machinery suppliers to establish its own tissue products supply in Turkey. The company has established a 50/50 joint venture -- called Tül Kagit -- with another Turkish company (Food Company) for this purpose.

The plan includes a tissue machine with a capacity of 60,000 tonnes/yr plus converting equipment. Altogether three converting locations are planned to be built in order to minimize shipping costs. No details of the plans have officially been published, such as mill sites or supplier names, but market rumors suggest that at least Metso Paper and Fabio Perini S.p.A. belong to the companies being considered as potential equipment suppliers.

China

Chongqing Longjing to Install Two Tissue PMs in China

China's Chongqing Longjing Paper has ordered two identical tissue paper machines from Japan's Kawanoe Zoki for a greenfield mill in Fengdu county, in the southwestern municipality of Chongqing. Construction work at the site began in August, and the startup of the two units is slated for October 2010. The project cost is expected to total some RMB 200 billion (US$29.3 million).

The scheme is aimed at tapping into abundant bamboo resources in the area. Bleached bamboo kraft pulp is processed at several plants in Chongqing and in its bordering province of Sichuan. The two new PMs, each with a capacity of 12,000 tonnes/yr, will use a mixture of bleached softwood and hardwood kraft market pulp (90%) and bleached bamboo kraft pulp (10%) as fiber sources. Each of them will have a wire width of 2.76 m and a design speed of 770 m/min.

Chongqing Longjing also plans to install converting equipment at the facility to process tissue products to be sold in the domestic market, mainly in the country's southeastern region. The firm is a wholly-owned subsidiary of the Chongqing Light Industry & Textile Holding Group, a large state-owned industrial conglomerate in the region.

Zhangjiagang Huaxing to Build a Tissue Plant in China

China's Zhangjiagang Huaxing Paper has unveiled plans to build a greenfield tissue mill in Tongnan county, in the municipality of Chongqing. The firm's subsidiary Chongqing Wei Er Mei Paper will operate the new facility. The move aims to capitalize on steadily growing demand for quality tissue products in the region.

The firm has ordered two 12,000 tonne/yr tissue paper machines from Japan's Kawanoe Zoki. Each will have a wire width of 2.76 m and a design speed of 770 m/min. The company aims to bring the units online before October 2010 year at a total cost of RMB 180 million (US$26.4 million).

The machines will be fed with a mix of bleached softwood and hardwood kraft pulp (40%) and bleached bamboo kraft pulp (60%). Their output will be converted into an array of tissue products on site and sold in Chongqing as well as the neighboring provinces of Sichuan, Yunnan, Hunan and Hubei.

Zhangjianggang Huaxing Paper, itself a subsidiary of the Chinese equipment supplier Jiangsu Huaji Group, already has a board mill in Zhangjiagang city, Jiangsu province, which houses two recycled fluting machines with a total capacity of 280,000 tonne/yr.

China's Huizhou Fook Woo Planning Further Tissue Expansion

Huizhou Fook Woo Paper has announced plans to install two 20,000 tonne/yr tissue paper machines at its mill in Huizhou city, Guangdong province, China, in the next two years. The move would be part of the company's efforts to replace the existing small, old tissue machines at the facility with larger ones.

A decision is expected after a new 20,000 tonne/yr tissue PM and a 110 tonne/day deinked pulp (DIP) line, which came on stream at the plant at the end of November 2009, are in full operation. The 2.85 m wide machine, an "Advantage DCT 60" model from Metso Paper, which also supplied the DIP line, will have a design speed of 1,300 m/min. An identical Metso PM was already commissioned at the site in May 2009.

The facility houses a number of older locally made tissue machines, of which three 2.7 m wide ones were installed in 2006-2007. The total tissue capacity of the older PMs is some 40,000 tonnes/yr. Some very old and small PMs have already been closed and additional older PMs are expected to be retired in the next two years, making room for larger units. The plant also has two existing DIP lines, one with a recovered paper processing capacity of 65 tonnes/day and the other 50 tonnes/day. After the new installations have been installed, the mill capacities will increase to 82,000 tonnes/yr of tissue and about the same quantity of DIP.

The Huizhou mill also boasts converting equipment which processes tissue paper into finished products, such as facial and toilet tissue, napkins and towels, for sale in the domestic market and overseas. More than 70% of the goods are exported to the USA, Australia, New Zealand, Hong Kong and Singapore. In China, the firm provides private label tissue products to leading retailers such as Wal-Mart and Vanguard.

Benefiting from long-established relationships with customers and an overseas sales network, the firm has weathered the global economic storm pretty well, when many Chinese export-oriented enterprises have been badly hit by weaker demand from major developed economies. As Chinese consumers prefer tissue products made from virgin fiber, many domestic producers do not make recycled tissue products. Huizhou Fook Woo is one of just a few such manufacturers. It is owned by Hong Kong based recycler Fook Woo Group, which operates one of the biggest recovered paper sorting plants in Huizhou.

Ningxia Zijinhua Eyes Chinese Wood Pulp-Based Tissue Sector

China's Ningxia Zijinhua Paper is diversifying itself from being a nonwood pulp-based tissue producer into manufacturing tissue paper made from wood pulp. The firm currently operates 38 small tissue paper machines, all of which use mostly straw pulp and some reed pulp as furnish, at its mill in Yongning county, Yinchuan city, Ningxia autonomous region.

The low quality base paper is converted into mainly toilet rolls at the plant and sold on the domestic market, mostly in China's vast countryside and inland cities. With increasingly stringent environmental regulations in the country, the company is aware that nonwood fiber-based tissue production is a dead end and has therefore decided to change its strategy.

Ningxia Zijinhua Paper has signed up fellow Chinese firm Shandong Liaocheng Hualin Machinery to supply it with two wood pulp-based tissue machines, with Yankee dryers manufactured by an unnamed South Korean supplier. Converting equipment has been ordered from Italy. The equipment will be installed at its existing facility. The investment is expected to cost RMB 280 million (US$41 million).

Construction work for the project kicked off in mid-May 2009. One of the two new units, a 2.7 m wide machine with a design speed of 1,200 m/min and a capacity of 50 tonnes/day, has been delivered to the mill and installation has started. Trial runs are slated for April next year. The PM will be fed with a mixture of bleached softwood and hardwood kraft pulp bought from the market. Its output will be in a basis weight range of 11-25 g/m² for conversion into an array of tissue products for sale in the domestic market. The other machine will have a capacity of 75 tonnes/day. Its startup schedule still needs to be determined.

Asia Far East

India's Durga Paper Starts Up New Tissue Plant

Durga Paper Mills has started up a new tissue paper plant at Kathua, located in the northern Indian state of Jammu & Kashmir. The new facility houses a secondhand 30 tonne/day unit, which has a production speed of 600 m/min and a deckle size of 80 inches (203 cm).

The machine, which was previously operated at an unnamed German plant, is fed by imported bleached kraft pulp. Its output will be sold to converting facilities in the state. The total project cost was not disclosed.

Pudumjee Wraps Up Tissue PM Rebuild in India

India's Pudumjee Agro Industries has completed a revamp of tissue machine PM6 at its mill in Pune city, Maharashtra state. The Rupee 150 million (US$3.2 million) upgrade saw the installation of a new rewinder and a rebuild of the unit's wire part in November.

Toscotec was the main supplier for the revamp, which increased the speed of PM6 from 500 m/min to 750 m/min, and increased its capacity by 25% to 15,000 tonnes/yr. The Pune facility houses another tissue machine, the 12,500 tonne/yr PM7. Parent rolls produced at the site are both converted internally and sold in the domestic market.

Vietnam's Diana Paper Delays Tissue Mill Start to Early 2010

Diana Paper has again pushed back the startup of a secondhand tissue PM at a greenfield facility in the northern Vietnamese province of Bac Ninh. Test runs on the 20,000 tonne/yr machine, which was previously operated at an unnamed overseas mill, are now slated for early 2010. The company said uncertainty stemming from the global downturn is the reason for the latest setback.

Trial runs on the Over Meccanica unit were originally scheduled for the first quarter of this year, but the company pushed back the startup date to September. Although mechanical installation was completed on schedule, it still had to augment the plant's electrical systems and install an automation package supplied by Hanoi-based El-Tec Vietnam. The US$20 million project also includes a new deinked pulp line from an unspecified foreign supplier.

The mill's output will be processed into various types of tissue products at the company's converting plant in Hanoi. The converting operation is currently fed with parent rolls of tissue bought on the market. The greenfield facility is located in the province's Tai Chi industrial zone, some 30 km east of Hanoi. It is Diana Paper's first foray into paper manufacturing. The company specializes in tissue and feminine hygiene products.

Oceania

Indonesia May Appeal to WTO in the Australian Toilet Paper Case

Indonesia may drag Australia into a "formal" battle at the World Trade Organization (WTO) over the latter's dumping allegations against Indonesian toilet paper. The Trade Ministry's director general for international trade cooperation Gusmardi Bustami said that Indonesia had warned Australia to terminate the latter's punitive tariffs against Indonesian toilet paper in a recent meeting between the Indonesian ambassador to the WTO and his Australian counterpart.

Anti-dumping duties are measures to counter dumping by imposing additional import tariffs. Dumping is said to occur when a manufacturer exports his products to another country at prices below those charged in his home market or even below his production cost. Gusmardi said Australia was reviewing the case and hoped Indonesia would wait until December for the outcome. "We are yet to bring this case formally to the WTO's Dispute Settlement Body (DSB). We'll wait for the development of the case until December," he said.

The ministry's director for trade security Ernawati said the Australian Trade Measures Review Organization had told the Australian government to review the case "because there are weaknesses in their study." She said it would be an embarrassment to Australia if Indonesia finally brought the case to a formal forum in the WTO.

The Australian Customs Service has imposed additional antidumping duties of 8% and 40% above the existing 5% tariff on tissue paper products since early this year after it found in December 2008 after long investigations that China was dumping these products in Australia. Following this, Australian paper distributor Paper Force, along with suppliers PT Pindo Deli and Gold Hongye Paper, said they may appeal against the Customs Service. Paper Force spokesman Steve Nicholson said that Australian Customs carried out a flawed process when they decided upon the additional anti-dumping duties.

Pindo Deli and Gold Hongye -- two paper mills which are managed by Asia Pulp & Paper (APP) in Indonesia and China, respectively -- are among tissue paper suppliers accused by Australian Customs of dumping, in addition to PT Lontar Papyrus and PT Univenus. Pindo Deli, Lontar Papyrus and Univenus are subsidiaries of Indonesia's vastly diversified business empire Sinar Mas Group. The products in question are primarily for the "Select" brand of tissue products, for which the Australian paper distributor won the tender in August 2006, with the supply contract expiring in August 2008.

Sinar Mas Group executive director Gandhi Sulistianto said he and government officials had met the Australian trade minister and Prime Minister Kevin Rudd on the case, which he said was "made up" to protect Australian domestic producers. "If Australia cannot be firm to remove the anti-dumping duties, we will bring this case formally to the WTO's court," he said. However, he claimed "he does not remember" the value for his company's toilet paper exports to Australia, nor his share of the Australian market.

The latest news in the dumping case is that in early January 2010, the Australian government decided to revoke the dumping duties as the injury experienced by the Australian industry "was caused more by other factors than by the dumping of the goods exported from China and Indonesia"; the injury was defined as "not material on technical grounds" and it was "not foreseeable and imminent."

Africa

Carmen Tissues Revamping Its Mill in Egypt

Carmen Tissues Company, acquired by Amoun Holdings Co. in late 2007, is currently rebuilding the old tissue mill located in 6th of October City, Egypt. The machine upgrade project started in 2008 and the mill restart is expected in late 2010. We understand that the tissue PM has been off-stream for longer periods of time because of the complete renovation. It will be able to produce approximately 6,000 tonnes/yr of tissue paper after the completion of the revamp.

The facility houses an older A.Celli tissue machine with a trim width of 1.8 m and a converting plant with several production lines for hankies, toilet paper, kitchen towels, napkins, facial tissue and coasters. Most of the machine parts and mill utilities are being completely renewed, including the installation of a new rewinder, boiler and compressor. The company is also investing in a new high-capacity converting and packaging line.

The company, established in 1974, was first known as The Arab Paper and Hygiene Products Co. and was the first company converting tissue in Egypt. Amoun Holdings wanted to diversify its business and purchased the mill, renaming it Carmen Tissues Company S.A.E. The company's Chairman and CEO is Mr. George Sarwan Bassily.

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