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- Machine runnability
- Machine speed
- Boilout frequency
- Product quality
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Greenwash Gets a Scrubbing

By John O’Brien, Managing Editor

Most of us have heard the term “greenwashing,” and its definition is summed up nicely on Wikipedia: Greenwashing is a form of spin in which green PR or green marketing is deceptively used to promote the perception that an organization’s products, aims and/or policies are environmentally friendly. Evidence that an organization is greenwashing often comes from pointing out the spending differences: when significantly more money or time has been spent advertising being “green” (that is, operating with consideration for the environment), than is actually spent on environmentally sound practices.

In defense of companies who market their “greenness,” because they actually operate their business in a sustainable manner; this editorial is not directed towards them. However, it is directed at the “save a tree” marketing campaigns that are actually spent on environmentally sound practices.

“A paperless invoice will help us protect the environment.” Or, “Request an electronic copy of your receipt and save a tree.” And the following message from a high-end real estate design firm tops my list: “Did you know that toilet paper is responsible for a huge part in the destruction of the virgin forest?” The firm designs bathrooms that of course include “self-cleaning” toilets which sell for up to $2000 per unit.

Considering PaperAge’s audience, I don’t feel the need to get up on my soapbox and preach that the production of paper is a sustainable process or that receiving your social security statement in the mail isn’t really killing trees.

On the flip side, however, I’m not advocating for a greater effort by society to use more paper just for the sake of pumping money into the industry. I believe there’s a happy medium that can be reached in this tug of war and getting there will be the result of educating the public.

Helping on this front is Two Sides, which recently announced that over 20 leading U.S. companies have removed their “anti-paper” green claims being used to promote electronic billing and other e-services as a more environmentally-friendly solution than paper.

“We are very pleased with the success of our campaign to date because most companies are responding positively to our concerns and our offer to work with them in developing messaging that meets the U.S. FTC Green Guides for environmental marketing,” says Phil Riebel, President of Two Sides U.S. “The goal is to put an end to unsubstantiated and misleading claims that electronic communications are more environmentally friendly than print and paper.”

In case you’re not familiar with Two Sides (www.twosides.us), it’s a not-for-profit organization that is waging a strong defense against campaigns that promote a paperless society in the name of the environment. The organization is backed by companies from the “Graphic Communication Value Chain.”

“We have no desire to cause unnecessary negative publicity for companies or to undermine their reasons for driving customers toward e-billing, but claims that print and paper are environmentally unfriendly need to stop,” Riebel explained. “Rather than call these respected companies out publicly with greenwashing complaints, we are working with them one-on-one to achieve a resolution.”

Two Sides, along with AF&PA, have done a great job exposing the myths surrounding the production of paper and its impact on the environment. And a number of paper companies — Domtar, for one, with its Paperbecause program — have also stepped into the ring. The industry has got some momentum going and the “sustainability” of the movement is what it’s all about.
If you had to choose a kaolin supplier based on one quality, which would you choose?

- TAILORED SOLUTIONS
- SERVICE
- STABILITY
- LONGEVITY
- GLOBAL REACH
- PRODUCT DEVELOPMENT

The good news is you can have them all with Thiele, a privately held company serving papermakers worldwide since January 1, 1947.
KapStone Paper and Packaging has completed a $29 million investment at the company’s North Charleston, South Carolina paper mill.

The primary project in this investment was the replacement of the press section on No. 3 Paper Machine which improves the capability and efficiency of producing Ultra High Performance (UPL) lightweight linerboard grades, Kapstone said.

The new press section was supplied by PMT Italia.

The investment also included projects in the fiber and utilities areas to support production of these strategically important grades.

The installation and startup of the new press and the supporting projects were completed on schedule in early February.

Kapstone’s North Charleston mill operates three paper machines with a combined capacity of about 880,000 tpy. The machines produce high performance linerboard (500,000 tons), DuraSorb® Saturating Kraft (260,000 tons) and KRAFTPAK® Folding Boxboard (120,000 tons).

Gould Paper Acquires Houston-based Bosworth Papers

Gould Paper has acquired Houston, Texas-based Bosworth Papers. Bosworth has distribution facilities in Houston, Austin and San Antonio, in addition to three retail paper stores.

Financial terms of the deal were not disclosed.

“Bosworth Papers has been servicing the Texas market for 90 years and we are extremely pleased to have Bosworth Papers join Gould Paper Corporation,” said Harry E. Gould Jr., Chairman, President and CEO of Gould Paper. “This is a strategic fit for Western-BRW’s existing operations and will also provide us with an additional operating location in San Antonio.”

According to Gould Paper, Bosworth will continue to operate under its own name as a division of Gould’s Dallas based subsidiary, Western-BRW Paper.

RockTenn to Acquire Simpson Tacoma Kraft Paper Mill for $343 Million

RockTenn and Simpson Lumber Company LLC announced an agreement whereby RockTenn will acquire the Simpson Tacoma Kraft Paper Mill in Tacoma, Washington, for approximately $343 million.

The purchase price reflects an EBITDA multiple of less than six times based on the mill’s financial results for the 12 months ending December 2013 and the expected operating efficiencies, primarily due to the location of the mill on the West Coast.

The transaction is structured as an asset purchase.

In 2013, the mill produced 465,000 tons on two paper machines and two pulp dryers that made various paper grades including containerboard, specialty kraft paper and pulp. The Tacoma Kraft Mill operates a 55-megawatt green biomass fuel cogeneration facility that was completed in 2009 and sells electricity under a long-term contract.

RockTenn has committed to invest $60 million in the mill during the next three years and has also entered into a 7-year wood chip supply contract with Simpson Lumber Company.

“The Tacoma Kraft Mill is a great strategic fit for RockTenn,” said Steve Voorhees, RockTenn’s Chief Executive Officer. “Adding a West Coast mill will improve our ability to satisfy West Coast customers and generate significant operating efficiencies across our system.”

“We look forward to working with the entire Simpson team to build on the fine relationships they have developed over the years with the Tacoma Kraft Mill’s customers, as well as enhancing the satisfaction of RockTenn’s customers in the western United States,” said Jim Porter, President of RockTenn’s Corrugated Packaging segment.

Fortress Specialty Cellulose Mill Restarts Operation

Fortress Paper Ltd. announced that its Fortress Specialty Cellulose Mill in Thurso, Quebec restarted operations in early-March after taking market downtime of 10 weeks. The downtime began on Dec. 22.

The FSC Mill initially began producing northern bleached hardwood kraft (NBHK) pulp and ramped-up to normalized production in about 15 days.

In keeping with the company’s “swing mill” strategy, the FSC Mill will continue to operate by swinging production between both NBHK pulp and dissolving pulp to best respond to changing market conditions, particularly in light of the interim anti-dumping trade duty currently imposed by China’s Ministry of Commerce.
Kemira legacy companies introduced the first commercial synthetic strength resins more than 50 years ago. Today, over 100 researchers in our global R&D centers continue to develop new generations of strength resins and other innovative paper technologies.

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Clearwater Paper to Close Long Island Tissue Converting and Distribution Facility

Clearwater Paper on Feb. 18 announced the permanent and immediate closure of its Long Island, New York tissue converting and distribution facility.

"After thoughtful consideration, we have determined that permanently closing our Long Island plant and consolidating manufacturing at the company’s other lower-cost tissue facilities is a necessary step for Clearwater Paper," said Tom Colgrove, President of the company’s consumer products division. “This has been a tough decision, one where we carefully reviewed all alternatives to closing the plant.”

The company will work closely with the New York Department of Labor’s Rapid Response Unit to assist employees in receiving training or educational benefits or other benefits that enable them to find new employment as quickly as possible. The company will also provide career assistance services to help employees through this difficult time.

Displaced employees will have the opportunity to apply for open positions at other Clearwater Paper facilities. In addition, employees will be offered separation pay.

The company expects the total impact of non-recurring exit related costs to be approximately $12-$15 million, of which approximately $10 million is expected to be incurred in 2014 and the remainder in 2015. The cost savings benefits resulting from the facility consolidation and optimization, which are incremental to the company’s previously announced cost savings programs, are expected to be approximately $6 million in operating costs savings in 2014 and approximately $12 million on an annual basis to be fully realized beginning in the first quarter of 2015.

Resolute Announces 5-year Renewal of U.S. Labor Agreements

Resolute Forest Products recently announced a five-year renewal of the master collective agreement covering four unionized U.S. pulp and paper mills. Unionized employees voted overwhelmingly to ratify the agreement at mills in Augusta, Georgia; Calhoun, Tennessee; Catawba, South Carolina; and Coosa Pines, Alabama, effective as of February 14, 2014.

“At Resolute, we believe in succeeding together, where every member’s contribution is important to reach our collective goals and ensure our long-term success,” said Richard Garneau, president and chief executive officer. “We’re very pleased to have quickly reached an agreement with union leadership and members to ensure we remain a competitive employer, but also one that maintains its competitive edge.”

The agreement covers about 1,500 employees, represented by the United Steelworkers (USW), the International Brotherhood of Electrical Workers (IBEW) and the United Association of Journeymen and Apprentices of the Plumbing, Pipefitting and Sprinkler Fitting Industry of the U.S. and Canada (UA).

The agreement improves wages in each of its five years and continues the partnership with all unions on employee safety and efficiency. In addition to securing high-quality healthcare, it will encourage consumer behavior to control costs, allow employees to benefit from wellness initiatives, and significantly reduce the Company’s other postretirement benefits, or “OPEB,” liabilities.

The four mills, together with the Company’s other U.S. pulp and paper operations, none of which has an expiring collective agreement, represent almost half of the Company’s pulp and paper production capacity.

First Quality Tissue to Install Two New TAD Tissue Machines

First Quality Tissue said that it has made plans to add two additional TAD paper machines with an estimated annual capacity of 140,000 tons.

At the time of the announcement, First Quality did not disclose the facilities where the machines will be installed.

The startup of these machines is expected to be in the third quarter of 2015 and third quarter of 2016, respectively.

First Quality Tissue noted that the installation of its already-purchased ATMOS tissue machine, with expected annual capacity of 70,000 tons, is well underway with an expected startup in the first quarter of 2016 at the existing Anderson, South Carolina site.

First Quality has installed four Through-Air-Dried (TAD) machines — two in Lock Haven, Pennsylvania and two in Anderson, South Carolina.

Upon the completion of the above-mentioned machine installations, First Quality Tissue will increase its total number of tissue machines to 7 with an estimated capacity of 500,000 tons.
Sabin Robbins Acquired from Eagles Nest Holdings

Sabin Paper Acquisition LLC announced that it has purchased all of the assets and trade liabilities of Sabin Robbins from Eagles Nest Holdings, LLC.

The new company will go to market as Sabin Robbins Converting Company.

No major changes to the company are planned.

“With the purchase of Sabin Robbins we gain one of the finest facilities and some of the most advanced equipment in the industry, in addition to a highly skilled and dedicated staff,” said Nathan F. Moser, Sabin Robbins Converting Company’s CEO.

John J. Grymes, President of the new company, added, “It is our plan to fully engage in the day-to-day operations of the company with the intent to further improve and grow the excellent product and service platforms which already exist. Our goal is to provide the finest products and the greatest customer service to the marketplace.”

Sabin Robbins, based in West Chester, Ohio, is a fine paper merchant specializing in purchasing, warehousing, converting and distributing job lot and over run paper. The company also operates a converting facility in Mansfield, Ohio.

Unifor Says Paper Excellence Set to Buy Tembec’s Chetwynd Pulp Mill

Unifor Local 448 on Feb. 8 reported that Paper Excellence has worked out a deal with Tembec to buy Tembec’s Chetwynd high yield pulp mill in British Columbia, Canada.

In addition, Tembec confirmed to news service provider EUWID that it “had a conditional sale agreement with Paper Excellence to sell the Chetwynd pulp mill and that the deal was subject to a due diligence review.”

The Chetwynd mill has an annual capacity of 240,000 tpy of hardwood BCTMP (bleached chemi-thermomechanical pulp). Tembec idled the mill in September of 2012.

According to Unifor, Paper Excellence plans to restart production at the mill once the sale is completed.

The sale of the Tembec mill to Paper Excellence Canada Holding Corporation is expected to be complete in the spring of 2014, Unifor said.

Unifor noted that it was able to negotiate a new collective agreement with Paper Excellence that approximates the industry pattern for wages and benefits.

Unifor was founded Labour Day weekend 2013 when the Canadian Auto Workers and the Communications, Energy and Paperworkers unions merged. With more than 300,000 members, Unifor is Canada’s largest union in the private sector.
SOUTHERN AMERICA
Arauco Plans to Build 1.5 Million TPY Pulp Line at Arauco Mill in Chile

Chile’s Arauco is looking to boost its pulp production by over 40 percent with a recently approved $2.1 billion expansion project, the company said in early February.

Arauco’s mill in southern Chile will see overall production jump to 2.1 million tonnes once the expansion, which environmental authorities have approved, is complete.

The project, called the Proyecto Modernizacion y Ampliacion Planta Arauco (MAPA), involves the suspension of Arauco mill’s “Line 1”, a eucalyptus pulp line, the modernization of “Line 2”, a pine pulp line, and the construction of a third 1.56 million tpy line.

Arauco has five pulp mills in Chile and one in Argentina. The expansion project would take place at Araurco Mill, which currently has two pulp lines — Line I, batch process, 283,200 tpy eucalyptus kraft pulp; and Line II, continuous process, bleached pine 506,880 tpy.

EUROPE
Graphic Packaging Holding Company to Acquire UK-based Benson Group

Graphic Packaging Holding Company (GPK) announced that a European subsidiary has agreed to acquire Benson Group, a leading food and healthcare packaging company based in the U.K.

Under the terms of the deal, the purchase price equates to approximately $165 million. The transaction will be funded with existing cash and borrowings from the Company’s current revolving line of credit, GPK said.

“We are very pleased to announce the acquisition of Benson Group,” said David Scheible, Graphic Packaging’s Chairman, President and Chief Executive Officer. “We believe Benson Group fits perfectly with our strategy in Europe. The acquisition broadens our Food and Consumer Products offerings and extends our reach into the Store Brand segment.

“The combination of Benson Group and our existing European businesses is expected to greatly enhance our folding carton busi-
ness in Europe, with sales in excess of $700 million. This combination also allows us to broaden our customer base and to offer our current global customers a wider range of new products and services.

“Like our strategy in the United States, we are committed to growing our European business around food and beverage end markets and optimizing our supply chain footprint around our customers’ needs,” Scheible explained.

The Benson Group operates four folding carton facilities in the U.K. that convert approximately 80,000 tons of paperboard annually.

The acquisition is subject to standard closing requirements and is expected to close in the second quarter of 2014.

SOUTHERN AMERICA
Brazil’s Pulp and Paper Production and Exports Increased in 2013

The Brazilian Pulp and Paper Association (Bracelpa) reported that in 2013, pulp and paper production in Brazil grew by 7.3% and 1.6%, respectively, in comparison with 2012. From January to December, 15 million tons of pulp and 10.4 million tons of paper were produced.

Exports in the sector totaled US$7.1 billion in the year, representing an increase of 7.5% in relation to 2012. Pulp exports reached 9.4 million tons and paper totaled 1.8 million tons. Europe remained the main destination for Brazilian pulp, generating approximately 40% of the revenues with sales of the product to foreign markets, followed by China and North America with 30% and 20%, respectively.

In regards to paper, accumulated export revenues registered 1% growth as compared to last year, totaling US$1.9 billion. Latin America then follows as a major market for the product, being responsible for approximately 14% and 13%, respectively. Shipments to North America grew by 35% in the year.

Sales of paper to the domestic market totaled 5.7 million tons and had an accumulated growth of 2.9% in the year when compared to 2012, i.e., indicating stability in the Brazilian market.

During 2013, the sector had major achievements in the measures against the improper usage of tax-exempt paper, which is exclusively destined to the printing of books, newspapers and magazines. Labeling requirements on tax-exempt paper packaging, the commitment of the production chain with the action and, mainly, the nationalization of “RECOPI” (Recognition and Control System for Tax-exempt Paper Operations) were the most relevant facts. In the case of RECOPI, the sector expects that State governments implement the system as soon as possible to close eventual loopholes in the law.
EUROPE

UPM to Start EUR 160 Million Upgrade Project at Kymi Pulp Mill

UPM will invest EUR 160 million at its Kymi pulp mill in Finland to increase the mill’s production capacity by 170,000 tpy, which would increase the mill’s annual capacity to about 700,000 tpy.

“Kymi is a profitable and competitive pulp mill in comparison with the world’s leading pulp mills. Our EUR 160 million investment will result in a significant capacity increase with competitive costs and low risk,” said UPM’s President and CEO Jussi Pesonen.

The project will begin immediately, UPM said, and involves a new pulp drying machine, modernization of the softwood fiber line, a new debarking plant as well as improvements in the energy balance of the Kymi integrate consisting of pulp and paper mills.

“We have set ourselves clear targets for growth initiatives in pulp production, biofuels, specialty papers in Asia and label materials for the coming three years. With these initiatives we are targeting an additional EUR 200 million EBITDA when in full operation. The Kymi investment will bring a significant contribution to this,” Pesonen said.

The Kymi investment makes a significant part of UPM’s earlier announced target to reach a 10% increase in its 3.3 million tonne pulp capacity over the next three years.


Voith Paper said that a paper machine, PM 3, that it supplied to YFY Paper Mfg. Co. Ltd., has successfully started-up in Yangzhou, China.

PM 3 produces packaging paper with an annual production capacity of 450,000 metric tons, which will mainly be used for food packaging.

According to Voith, PM 3 uses less electricity and water by 20% and 12%, respectively, per ton of paper it produces compared to traditional paper machines.

PM 3 is also the first machine in China to produce paper from 100% domestically recovered paper, Voith added.

In addition, Voith supplied YFY with two R2S anaerobic reactors, which have been used on both PM 2 and PM 3 at the mill. The reactors convert dissolved organic contaminants into biogas with a high calorific value, which can then be used for the generation of steam or power to continue contributing to the manufacturing process. The YFY PM 2, also supplied by Voith, went into operation in 2007, producing corrugated medium and linerboard.

GF Piping Systems

Double-See™ Double Containment Piping System

The Double-See double containment piping system from Georg Fischer is easy to install and is available with a complete selection of pipe, fittings, access tees, and fully contained valves.

One of the features that make the system so easy to work with is the simultaneous joining which allows the inner and outer pipe to be cut to the same length and joined together in one simple step. The system is available in PVC, CPVC and clear PVC. Just about any combination of these pipe materials is possible. Sizes range from ½” x 2” to 6” x 10”. We understand the paper industry has a variety of chemical conveyance needs such as sodium hypochlorite, please contact Georg Fischer for more information and assistance in choosing the right product.

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The Confederation of European Paper Industries (CEPI) announced that paper and board production by CEPI member countries fell by around 1.3% in 2013, according to preliminary figures. Total production in 2013 was around 91 million tonnes, over 11 million tonnes lower than the peak total paper production of 102 million tonnes in 2007.

Mill and machine closures in the EU27 in 2013 amounted to 2.4 million tonnes while new capacities or upgrading of existing ones reached 1.6 million tonnes.

It is estimated that the production of pulp (integrated + market) has decreased by around 1.8% when compared to the previous year, with total output of approximately 37 million tonnes. Output of market pulp increased by around 4.3%.

It is estimated that utilization of paper for recycling by CEPI members increased by around 0.5%. The fall of the graphic paper sector demand was offset by the more positive development in the packaging paper and board sector.

Based on the cumulative data up to the end of the third quarter of 2013, it is expected that total paper and board deliveries for the year will have fallen by 1.5% - 2.0% when compared to 2012. It appears that the overall consumption of paper and board in CEPI countries in 2013 decreased between 1.0% and 1.5% when compared to 2012, based on the latest data available.

While the EU27 have registered a 1.3% decrease in production, US and Japanese production has stagnated, in contrast with South Korea and Canada where production rose by over 3%. A moderate growth — between 1.5% and 3.0% — has been observed in emerging countries, China, Brazil, India and Russia.

According to early estimates, world paper and board production has increased by 1% in 2013 after a 0.2% increase in 2012.

**Södra Confirms Plans to Invest SEK 4 Billion to Expand Pulp Production at Varo Mill**

Södra’s Board of Directors has made the decision to invest SEK 4 billion (approx. USD 610 million) to implement a major expansion of the pulp mill in Värö, Sweden, which will increase its current production capacity of 425,000 tpy to 700,000 tpy of pulp.

According to Södra, when completed, the expansion will make the mill one of the biggest in the world in terms of softwood sulphate pulp production.

“This expansion is a vital part of our strategy, and a must if we are to be able to develop our business. The paper pulp market is growing globally, and now it will be possible for us to continue to grow together with our customers,” said Lars Idermark, CEO and Group President at Södra.

“As well as increasing pulp production, this investment means that the plant can be made even more energy efficient. Södra Cell Värö is already independent of fossil fuels during normal operation. Our supplies of green energy can be increased still further thanks to this investment,” Idermark added.

If the environmental permit process goes according to plan, the expanded mill will be ready for commissioning in the third quarter of 2016, Södra noted.

UPM said that it’s beginning construction of a third production unit at its Changshu mill in China with improved capital efficiency. The new machine will have an annual capacity to produce 360,000 tonnes of specialty papers and labelling materials and is expected to start up at the end of 2015.

According to UPM, “The investment scope has been moderately revised by specifying more focused infrastructure investments as compared to the original scope. Instead of constructing a new power plant, UPM will upgrade existing boilers providing opportunity to consider more environmentally effective fuels or solutions for the mill’s energy supply in the future. The mill also aims at utilizing existing facilities more effectively instead of building new infrastructure.”

UPM said the revised plan calls for an investment of EUR 277 million instead of the original EUR 390 million.

“We have set ourselves clear targets for focused growth initiatives over the next three years in biofuels, specialty papers in Asia, label materials and pulp production,” said Jussi Pesonen, UPM’s CEO and President.

Kim Poulsen, Executive Vice President, UPM Paper Asia, commented, “The Changshu investment is targeted to serve growing end uses in Asia markets with a wide range of release liner materials and specialty products. The business fundamentals for the investment continue to be positive as both release liner materials and uncoated woodfree office and specialty papers enjoy a healthy demand outlook in Asia.”

UPM noted that the annual growth of labelling materials is expected to be globally about 4%. More than half of the global growth takes place in Asia with annual growth over 8%, and the most attractive growth markets are China, Southeast Asia and India.
**RUSSIA**

**Pankaboard to Open Sales Office in St. Petersburg, Russia**

Finnish specialty cartonboard producer Pankaboard said that it will open a sales office in St. Petersburg, Russia, effective March 10.

In addition to Russia, the office will also serve the CIS (Commonwealth of Independent States) markets.

The new office is headed by Regional Sales Director, Vladimir Pushilin, and Tatiana Shaburova has been appointed Sales and Customer Service Manager.

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**INDUSTRY SUPPLIER**

**Xerium Breaks Ground on New Press Felt Plant in China**

Xerium Technologies recently held a groundbreaking ceremony for its new press felt manufacturing facility in Kunshan, Jiangsu Province, China.

The new plant will solidify the company’s current and future capacity to address the growing Asian market for premium press felt product technology.

With an initial investment of approximately $35 to $40 million, the facility will employ the industry’s most advanced press felt manufacturing technology capable of supplying Xerium’s press felt product portfolio.

Xerium is building the facility in the Bacheng Industry Zone, one of Kunshan’s largest industrial zones, about 60 km west of Shanghai. Building construction is expected to be completed in early 2015, with production expected to start mid-2015.

“We chose Kunshan because of its proximity to the markets these products will serve as well as its pool of educated workers, the availability of qualified subcontractors, and the exceptional work ethic of the area’s people,” said Harold Bevis, President and CEO of Xerium.

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**INDUSTRY SUPPLIER**

**Valmet to Supply OKI Pulp & Paper Mills with Key Equipment for New Pulp Mill**

Valmet recently signed a contract with OKI Pulp & Paper Mills for the supply of key technology for a pulp mill project in South Sumatra, Indonesia.

Valmet’s delivery includes the following parts of the pulp mill: two biomass gasifiers, two biomass boilers, an evaporation system, two lime kilns and two pulp dryers.

The value of the order is approximately EUR 340 million.

“This a good start for the new Valmet and for year 2014,” said Pasi Laine, CEO and President of Valmet Corporation. “This order is unique by the scale of the parts to be supplied. The evaporation system and pulp dryers to be supplied will be the largest in the world.”

The new mill is expected to produce approximately 2 million ADT (Air Dried Tonnes) of pulp per year. Commercial production is expected to begin in 2016.

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**Thiele Announces Buy Back of Stora Enso Interest**

Thiele Kaolin Company has repurchased Stora Enso Oyj’s stock interest in Thiele.

Completion of this strategic transaction assures Thiele’s future as a privately held, world class global kaolin producer and will allow for a continuing focus on providing outstanding customer service and tailored kaolin products that generate value for its customers.

Stora Enso became a shareholder in Thiele following its acquisition of Consolidated Papers, Inc. in 2000.

“Since 2000, Stora Enso has been a valuable partner and we thank them for their contributions over the years.”

— Paul Kirschling, President, Thiele
**Finch Paper** announced the addition of Richard Oelkers as Business Development Manager. Oelkers comes to Finch from Lincoln Paper & Tissue, where he served as Regional Sales Manager. He has also held senior sales positions with International Paper and Boise Inc.

**Gould Paper** has appointed David H. Berkowitz as Executive Vice-President and Chief Operating Officer. Berkowitz began his career in 1970 with Central Paper Company. He joined Gould Paper in 2007 after the sale of Central Lewmar, where he had served as Chairman and CEO.

**Holmen’s** President and CEO, Magnus Hall, informed Holmen’s Board of his wish to resign “to explore new opportunities.” Henrik Sjölund, currently CEO of the business area Holmen Paper, has been named as Hall’s successor. Hall will remain CEO until the Annual General Meeting on April 8. Sjölund will begin as CEO on April 9.

**Ilim Group** has appointed Alexander Pozdnyakov as Vice-President - Director, Bratsk Branch. As a member of the first level team, Pozdnyakov will be in charge of management of Bratsk Mill, forest branch in Bratsk district and ramping-up of new softwood pulp line. Ilim also announced that Raisa Bounueva, who currently holds the position of Bratsk Branch director, will move to Ilim Group’s head-office in St. Petersburg, Russia to manage large capital projects.

**Sappi Limited** announced that Ralph Boëttger will be relinquishing his position as CEO and director on June 30. Boëttger, who has served as Sappi’s CEO for almost 7 years, has been diagnosed with a serious illness and has made the decision to step down. Steve Binnie, currently CFO of the company, will succeed Boëttger as CEO on July 1. Binnie joined Sappi in July 2012 as CFO designate and became CFO and joined the Sappi Limited Board on Sept. 1, 2012.

**SUPPLIERS**

**Buckman** announced that Kathy Buckman Gibson has been named President and Chief Operating Officer for Buckman International. In assuming her new position, Buckman Gibson will step away from her role as Chairman of the Board of Buckman, a position she has held since 2000. Otto Heissenberger, Jr., a Buckman board member since 2010 who has more than 30 years of experience in the pulp and paper industry, assumes the Chairman’s role.

**ASSOCIATIONS**

**The American Forest & Paper Association** has elected Domtar’s President and CEO John Williams as the new AF&PA board chairman. Williams has served as Domtar’s president and CEO since January 2009 and has over 30 years of experience in the consumer products and packaging industry.

**RECOGNITION**

**Russ Wanke**, President and CEO of Expera Specialty Solutions, has been named by PIMA as its 2014 Executive of the Year. The award is PIMA’s highest honor and is bestowed on senior-level executives in the pulp, paper or converting industries for excellence in management and outstanding contributions to the industry as a whole.

**Art Ragauskas** is the recipient of TAPPI’s 2014 Gunnar Nicholson Gold Medal Award, which is granted to those “who have made preeminent scientific and engineering achievements of proven applied benefit to the world’s pulp, paper, board, and forest product industries.”
MARCH 18-21, 2014
**Tissue World Americas**
UBM Asia Trade Fairs
Miami Beach Convention Center
Miami, Florida, USA
www.tissueworld.com

MARCH 23-25, 2014
**Paper2014**
AF&PA and NPTA
New York Palace Hotel
New York City, New York, USA
Contact: Nicole Boland (NPTA)
nicole.boland@gonpta.com

APRIL 2-4, 2014
**Spring Outlook and Strategies Conference**
Paperboard Packaging Council
Royal Sonesta Hotel
New Orleans, Louisiana, USA
www.ppcnet.org

APRIL 6-9, 2014
**BLRBA Spring Meeting**
Black Liquor Recovery Boiler Advisory Committee
Crowne Plaza Hotel (Atlanta Airport)
Atlanta, Georgia, USA
www.blrbac.org

APRIL 23-25, 2014
**Asian Paper 2014**
UBM Asia Trade Fairs
Queen Sirikit National Convention Centre
Bangkok, Thailand
www.asianpapershow.com

APRIL 27-30, 2014
**PaperCon**
TAPPI
Nashville Convention Center
Nashville, Tennessee, USA
www.papercon.org

MAY 4-7, 2014
**International Pulp Week**
Pulp and Paper Products Council (PPPC)
The Drake Hotel Chicago
Chicago, Illinois, USA
www.internationalpulpweek.com

JUNE 3-5, 2014
**PulPaper 2014**
Adforum
Helsinki Exhibition & Convention Centre
Helsinki, Finland
www.pulpaperevent.com

JUNE 22-25, 2014
**71st Pulp and Paper Safety Conference**
Pulp and Paper Safety Association
Renaissance Vinoy Resort
St. Petersburg, Florida, USA
www.ppsa.org

JUNE 22-26, 2014
**60th IEEE Pulp and Paper Industry Conference**
Institute of Electrical and Electronics Engineers
Atlanta Marriott Buckhead Hotel
Atlanta, Georgia, USA
www.ieee.org

SEPTEMBER 16-18, 2014
**SFI Annual Conference**
SFI (Sustainable Forestry Initiative)
Le Centre Sheraton Montreal Hotel
Montreal, Quebec, Canada
www.sfiprogram.org

OCTOBER 8-10, 2014
**North American Forest Products Conference**
RISI
Seaport Hotel
Boston, Massachusetts, USA
www.risiinfo.com/events

NOVEMBER 5-7, 2014
**International Containerboard Conference**
RISI
Embassy Suites
Chicago, Illinois, USA
www.risiinfo.com/events

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Freesheet Market Looks Up As Major Capacity Shuts Tighten Supply

A significant reduction equal to about 10% of capacity over just the last six months set the stage for a rebound in uncoated freesheet pricing that began in late 2013 and carried over into early 2014. With operating rates expected to remain strong, the increases are likely to be enacted despite the continued and steady drop in demand.

By Harold M. Cody

Uncoated freesheet markets began the New Year, from the mill standpoint, in probably the best position they’ve been in for several years. By swallowing the hard pill of a significant and permanent closure of U.S. uncoated freesheet capacity, producers have sent the strong and clear message that they “get it.” A closure of over one million tons of capacity in a short period of time has “rebooted” the uncoated fine paper business by shifting the supply and demand balance significantly to favor producers. Shortly after the largest closure was announced, the first of two price hikes was initiated and a second increase announcement followed shortly thereafter.

While the improvement in pricing is likely the best news producers have seen for some time, not all of the news is good. North American demand for printing and writing papers continues to contract, posting a 1.6% decrease to 22.3 million tons in 2013, according to the Pulp and Paper Products Council. Uncoated freesheet demand fell a more modest 1.4% to 9.5 million tons, while shipments were off 2.9% at 8.7 million tons, and imports posted a substantial gain rising by almost 20% to 763,000 tons. The largest drop in demand was posted by coated mechanical grades, which fell by 6.6% vs. the prior year.

U.S. uncoated freesheet grade by grade shipment data confirm that the decline in usage is fairly widespread across many key grade segments. Shipments of bond and writing papers, the largest segment which includes common cut-size office papers, fell 1.6% to 3.8 million tons in 2013. The good news is that this was the smallest decrease posted by the major grade segments. In contrast, shipments of offset, envelope and form bond grades fell by 3.1%, 2.6% and 6.9% respectively. U.S. uncoated freesheet imports rose 6.7% to 1.0 million tons while exports were flat, rising 0.5% to 991,000 tons.

The uncoated papers business continues to face severe challenges caused by shifts in demand due to technology as well as weak economic and job growth which all continue to result in lower usage for a number of key grades. The ongoing move to increased use of mobile devices, electronic bill paying and online resources is hitting key grades such as envelope papers particularly hard.

In contrast, there are a few beacons of light. For example, in the “other” papers segment, there is some optimism that this category could actually post gains as the wide range of specialty grades comprising this group has shown some growth. The segment includes many products and end uses ranging from release liner paper for labels to specialty packaging papers used for take-out food — a growing market.
Big Shut by International Paper Shocks the Market

As noted, a big reduction in capacity has shifted the supply and demand pendulum to favor producers. The largest capacity reduction, which was huge, was by International Paper at the big Courtland, Alabama mill, where three uncoated freesheet machines with a capacity of about three quarters of a million tons were retired. Following the shutdown of the first production line late last year, the last two machines which accounted for about 550,000 tpy were reported to have been shut down in early February.

Additional capacity reductions announced or enacted last year include an additional 225,000 tpy by Boise Paper and Georgia-Pacific on three paper machines. Two paper machines with a capacity of about 125,000 tpy will be shut down at the Boise mill in International Falls, Minnesota and GP shut down one PM with an annual capacity of about 100,000 tpy in late 2013 at the Crossett, Arkansas mill. With uncoated freesheet demand falling on average at about 3% annually since demand first began to fall over 10 years ago, the shuts are an ongoing requirement to keep the market in balance. Last year, the decline in uncoated freesheet papers demand, at under 1.5%, was only about half of the long term average.

Varying Prices

With the impetus provided by the capacity reductions, producers began to push for higher prices almost immediately beginning in the fourth quarter of 2013. A successful increase would be the first major improvement in prices in over 2 years and would begin to offset a roughly $100 drop in prices on the major graders over the last year or so.

The initial move to raise prices was targeted at October 15 by one major producer and would raise prices by $60/ton on all grades except cut size. Soon most producers had announced increases for the latter part of October.

By February 2014, prices had moved up across a wide spectrum of grades. The degree of success varied widely it’s reported, but in the big cut-size segment prices appear to have risen by about $20/ton according to reports. Prices on grades other than cut-size, which is particularly price sensitive since a lot of tonnage is sold via office supply stores, rose by somewhat larger amounts of $40-$50 per ton on offset and envelope grades. However, prices continue to lag below year ago levels.

Trying to maintain momentum in early 2014, additional price increase announcements were made by most of the major players. According to reports, a $70/ton increase is targeted for shipments beginning in March. The increases vary from the higher amount down to $40/ton on other grades.

A combination of the October and March increases would result in one of the larger increases in a long time and the $70/ton increase itself is almost without precedent in recent times. Again, the driving force behind this was the aggressive steps taken to cut capacity the equivalent of about 10% of U.S. capacity.

Postal Price Hike No Help

As noted, not all of the news is good. One notable development to watch is the late-2013 announcement by the U.S. Postal Service of a surprise 6.0% hike in postal rates. The increase will certainly have a negative impact on demand although it may be modest. The impact is likely to be felt even more so by coated grades.

U.S. Postal Service mail volume data illustrate one underlying cause for the drop in demand and are a key indicator. For example, for the fiscal year ending last September, first class mail volume in pieces of mail was down 4.2% vs. the prior year at 66.7 billion pieces, with mail volume as measured by weight off 3.6%. Standard mail volume data was better with mail volume in pieces up by 1.5% at 80.9 billion pieces but weight was down 1.1%. First class mail is a major user of envelope and several printing grades as well as cut-size papers, while standard mail volume is a larger user of printing papers such as coated and uncoated groundwood.

Not a Bad Start to 2014

With a head of steam behind them producers appear to be in the best position they’ve been in 2-3 years. Operating rates are expected to remain high due to the reduction in supply providing the platform for producers to push through the recent announcement and possibly additional increases as well. On the upside, overall paper use may benefit from stronger economic activity expected this year, with most forecasts projecting a GDP increase of about 2.5% in the U.S. and slightly stronger growth for the world overall. However, according to some observers the decline in uncoated freesheet demand is likely move back to the long term rate of about 3%.

One thing to monitor is creep capacity at coated mills caused by weak coated paper demand. By simply shutting down the coater, mills may target increased tonnage at the uncoated market given the recent rise in prices which make it an attractive option. Overall, however, producers started off the year with a bang and while it’s still a tough world it should be a better year than last year. Unless you are a paper buyer.

Harold Cody is a contributing writer for PaperAge. He can be reached by email at: HCody@paperage.com.
The tough measures that some of the big guns in Europe have taken over the last two years appear to be working. Stora Enso, UPM, SCA and Norske Skog have implemented machine and mill closures, cuts in capacity, individual exits from unprofitable grades and/or markets, dedication to cash flow, and, yes, massive job losses. It’s quite a change to what I wrote about in these pages of Jan/Feb. of 2013.

**Stora Enso**

Jouko Karvinen, CEO of Stora Enso, focused on improved cash flow in his full-year review for 2013. “The Printing and Reading segment was able to deliver solid cash flow for the year despite reduced profitability and long term structural decline in the market. Renewable Packaging had a strong last quarter with significant year-on-year improvement in earnings and cash flow.”

In fact the packaging and tissue grades in Europe have continued to perform strongly despite the recession.

Karvinen said that he felt positive about 2014 with a new container board mill in Eastern Europe (Ostroleka), a pulp mill in Latin America (Montes del Plata) and board mill and forestry in China (Guangxi). He was quite lyrical, “This will be a thrilling year…this is a string of pearls we will continue to build on. An exciting journey and we are making real progress.

**UPM**

UPM’s chief executive, Jussi Pesonen, also spoke of solid results, decreased costs and improved efficiency. He singled out the main improvements in biorefining (which includes pulp), plywood and paper. He said UPM started last year with a ‘brisk headwind’ but strong cash flow helped post good results. By the last quarter of 2013 UPM’s strong cost savings had returned the paper division to profitability.

“In the next three years we will target growth in biofuels, woodfree specialty papers in China, label materials and pulp production.”— Jussi Pesonen, CEO, UPM

**SCA**

Tissue and packaging giant SCA had a good year — sales up 4% and profits 15%. CEO Jan Johansson talked up tissue growth in Europe and North America, steady demand for personal care products in Europe, strong growth in emerging markets and improved delivery in Europe for solid-wood products.
Johannson highlighted the key events for 2013: majority ownership in Chinese tissue company Vinda, investment in India with the launch of Libero and Tempo personal care brands, divestment of its Laakirchen publication paper mill in Austria, the inauguration of SCA’s first wind park, and inclusion in key sustainability indexes.

But SCA also has an ongoing R&D program focused on finding alternative uses for wood and pulp, such as lignin-based carbon fiber and bio-based composites. Johansson said SCA had partnered with Swedish research institute Innventia to look at possible scenarios for the paper industry. He stated, “We need to forget mass production and go for specialty high-profit products to compensate for the reduced volumes of traditional pulp and paper products.” I think he is the only CEO I can recall in recent years who has called so clearly for more R&D.

**Norske Skog**

Industry analysts allege that the ‘for sale’ sign still hangs over Norske Skog. Its CEO, Sven Ombudstvedt, has done a lot to try to revive the Norwegian paper producer with permanent capacity cuts and mill closures and sales in Brazil, Europe and Thailand. He stated that high energy costs had hobbled the company. I don’t fully understand the energy dilemma due to the fact that Norway is a rich oil and gas producer, and one would think Norske Skog’s domestic operations would benefit from these resources.

Ombudstvedt said that huge, permanent production cuts in Europe in LWC (1.5 million tpy) and SC grades (500,000 tpy) had helped the market. He predicts the cuts will boost higher prices and give better margins in 2014 for these grades. He added that newsprint is weakening — production fell 6% in Europe in 2012-13 — a situation that’s certainly well-known throughout the industry.

**Conclusion**

It seems clear to me, and probably every reader, that painful lessons have been learned and industry behavior has changed forever. The relentless focus on matching supply to demand, the reduction of costs, exiting unprofitable businesses, seeking alternative technology, products, and emerging markets, and unfortunately, the ongoing cutting of jobs, will undoubt edly reshape the industry in ways I can only guess at. But as brutal as all of this can be, it is the only way the industry will survive and hopefully prosper.

David Price is a contributing writer for PaperAge. He can be reached by email at: DPrice1439@aol.com.
Kapstone’s founders Roger Stone and Matt Kaplan have proven to have sharp eyes for acquisitions and solid strategies for growth, but both men emphasize that the sizable paper and packaging producer they’ve created offers a small company feel for its customers and employees alike.

By John O’Brien, Managing Editor

Kapstone Paper and Packaging Chairman Roger Stone, and President and COO Matt Kaplan, in the past 7 years have successfully driven the remarkable growth of Kapstone. From initially raising about $120 million, they’ve built what is today a company valued at $3.1 billion that operates in a very attractive segment of the paper industry.

Their latest acquisition came in July of 2013, when Kapstone acquired Longview Fibre Paper and Packaging in a $1.025 billion deal. The Longview operation included a paper mill with five paper machines that produce over one million tons per year of linerboard, corrugating medium and kraft paper. The deal also included six box plants and one sheet plant. The packaging operations are located in California, Idaho, Nevada, Utah and Washington, which greatly expanded Kapstone’s reach into markets throughout the West.

Today, KapStone operates four paper mills that produce a wide range of kraft and recycled products ranging from containerboard — including liner and medium — to kraft papers, saturating kraft and folding carton board. Its mills’ product portfolio contains several branded products as well as a focus on extensible kraft paper grades and on high-performance, lightweight linerboard.

Currently, Kapstone is positioned as the fifth largest producer of containerboard in North America with a capacity of 1.7 million tons per year, and is the region’s largest producer of kraft paper with a capacity of 660,000 tons per year.
In consideration of Kapstone’s solid growth upon the keen vision and dedication of its chairman and its president, PaperAge has selected Roger Stone and Matt Kaplan as the recipients of our 27th Annual Executive Papermaker of the Year Award.

Could you give us a little background on how KapStone Paper and Packaging came to be?

Roger Stone (RS): Matt and I, along with 2 former Box USA directors, formed a SPAC (Special Purpose Acquisition Corporation) to raise some capital for the sole purpose of finding an acquisition in the paper and packaging business. We raised $120 million and our first acquisition was IP’s unbleached kraft business in January of 2007. Since our first acquisition, we have completed 3 additional transactions and, today, our market capitalization is approximately $3 billion.

You’ve done an excellent job growing KapStone and creating value through acquisitions: IP’s unbleached kraft paper business in Jan. 2007, MWV’s Charleston Kraft Division in July 2008, US Corrugated in Sept. 2011, and most recently Longview Fibre in July 2013. Has growth through acquisition been your strategy since the inception of the company?

Matt Kaplan (MK): Going back to our origin as a SPAC, we had to do an acquisition to get started. The acquisition immediately rolled into a public company that was traded on the NASDAQ. All of our subsequent deals involved purchasing paper mills which were operating at or near capacity limiting the opportunities for organic growth.

Has there been any organic growth to speak of?

MK: The organic growth that we have successfully generated has come from 2 areas, creating incremental mill capacity and selling the unused capacity at our box plants. We think that we have and will continue to do a good job in these areas. However, as in the past, much of our future growth will come as a result of acquisitions.

What made Longview Fibre so attractive?

RS: It was a good company, good people, good assets; it expanded our geographic footprint so we could grow our container business more effectively. Also, it had a hidden asset for the future in that it had about 300,000 tons of excess pulp capacity, which someday we’ll think more about how to use.

Longview was an ideal situation for us. It made the products that we are involved with, it increased our market share substantially in kraft paper and our other products, and it's been a pretty sensational acquisition.

MK: In addition to being really strong assets and strong people, the price that we paid for Longview was attractive relative to the cash flow that we felt it could generate. So we obviously saw some tremendous value on the financial side as well.

Kapstone’s acquisition of Longview Fibre Paper and Packaging included the Longview Mill equipped with five paper machines that produce over one million tons per year of linerboard, corrugating medium and kraft paper.

How far along are you with integrating Longview into KapStone? Were the overall cultures of the two companies similar?

MK: The integration is going very well. From a culture standpoint there were many more things that were similar than dissimilar, but there certainly are some differences and we’re working hard to blend these cultures and for the most part been successful at doing so.

What operational benefits have you been able to give and take from Longview?

RS: It's been a great marriage! The two parties have gained a lot from each other and there is a lot more to go. In terms of specific operation improvements, we've learned a great deal from Longview and Longview has made use of a good deal of know-how from the legacy KapStone mills. For example, Charleston does an exceptional job of avoiding breaks on its machines, and Longview has studied our success and benefited from Roanoke's outstanding processes.

MK: From a principle standpoint, from day one, our goal was to identify the best from either side of the acquisition and institutionalize the best practices throughout the
Kapstone recently completed a $29 million project at its Charleston mill in South Carolina. The primary focus of the project was to improve the capability and efficiency of the mill’s No. 3 paper machine in its production of high performance lightweight linerboard grades.

company. Roger gave the example of Longview learning to run with fewer breaks as a result of what was learned by studying Charleston’s processes. On the other side of the equation, Charleston, which recently installed a new press, was able to reduce the recent press installation downtime by approximately 10 days, as a result of the learnings gained from Longview.

RS: Thus far, it has been very beneficial for the entire company as a result of combining these assets and, more importantly, by putting these people together.

By year-end 2013, KapStone achieved $9 million of annualized synergies within the Longview acquisition. Where will further synergies come from?

RS: Redundancies were the initial focus, but simple things like better inventory management, purchasing practices, and as Matt mentioned, the better operating practices that we’ve learned from each other.

MK: I think the important thing to recognize is that the opportunities to employ best practices are far more reaching than the synergies, and that’s where we’re really focusing our efforts.

You just completed a $29 million upgrade project at your mill in North Charleston, South Carolina. Tell us about what took place. What were the key drivers that led to the decision to invest in the mill?

MK: What we were hoping to accomplish was to improve our STFI, which is a measure of compression strength on our ultra-performance linerboard and our high compression linerboard on the mill’s No. 3 machine. We installed a new press section, and the dryer section was reconfigured. We installed a state-of-the-art shoe press and we upgraded our digester, and as a result of the project we are now capable of running lighter weights faster while improving compression. At this point we’ve concluded without question that the project is going to be more successful than we had ever hoped.

Relatively speaking, there’s not a lot of lightweight containerboard produced in North America. Is demand for it growing?

RS: I believe it is. We can clearly see it from our customer demand and from our box sales. And it’s not just lightweight; it’s high performance lightweight. A lot of people can make lightweight but the performance isn’t necessarily better. We think that high performance lightweights fill the gap where prior to this source becoming available, people were over-packaging. So there are benefits to the customer and benefits to the producer and we feel it’s a substantial growth area for the containerboard business.

MK: Roger and I both believe that if an unlimited amount of lightweight high compression board were available, that end of the market would be growing much faster. But as we all know, most companies want to sell what they can run best on their machines, and as a result there is this tendency to over-package here in the United States.

And from your customers’ standpoint?

MK: Our customers are all interested in not only reducing costs but also in source reduction. Their desire combined
with our ability to produce products that meet or exceed their needs, is driving growth in high-compression, lightweight linerboard. We believe that we are well positioned to meet the market’s changing needs. That’s why we made the $29 million investment in Charleston.

Early last year you announced plans to open a new corrugated plant in Aurora, Illinois and invest about $8 to $10 million in the first phase. Where does progress on that project stand and what does it involve?

MK: The Aurora project is going extremely well since it began producing boxes in April of 2013. Our plan was to start as a sheet plant. We installed some highly productive equipment and plan to build our volume and install a corrugator at the appropriate time. All of this was predicated on attracting some top rate people capable of executing the plan. At this point we have a wonderful team in place and they’re making lots of progress. We recently started looking at the purchase and installation of a corrugator, which I think will happen at some point in 2015.

Looking at KapStone’s current asset base, where do you see the strongest growth opportunities?

RS: Clearly the converting and the container business is our biggest opportunity to widen our national footprint and to sell the products we’ve talked about which in turn will offer unique benefits to our customers. Also, our lightweight high performance grades provide significant growth opportunities, both internally and externally. In addition, and beyond our current asset base, we haven’t stopped recognizing the need for acquisition to broaden our customer service platform in other locations in the country, and that’s what we’ll continue to do.

When it comes to putting capital to work to reduce KapStone’s cost base, what area do you value as most important?

RS: Return on investments. Whether it’s more product or new products, the issue is return on investments and creating value for our shareholders.

MK: In our business there’s a certain amount of capital that we have to spend to keep our facilities safe, to continue to comply with any kind of environmental law changes — which we’re seeing lots of — and there’s a certain amount of capital we have to spend just to stay in business or to maintain our facilities.

Beyond that capital we’re generally looking for projects that pay for themselves in 2 years or less. All of these projects, therefore, have significant cost benefits. At the mills, energy, labor, and reduced fiber usage are the most common areas of focus. However, some projects might simply improve our product quality or meet our customers’ ever evolving needs.

Do you have any capital projects in the works that you could mention?

RS: We haven’t publicly disclosed many of the specifics of our capital plan. We have, however, mentioned that we are excited about a significant project on the #10 machine at Longview, which will reduce our costs and slightly improve productivity.

Kapstone is the fifth largest producer of containerboard in North America with a capacity of 1.7 million tons per year, and is the region’s largest producer of kraft paper with a capacity of 660,000 tons per year.
Recently, a number of KapStone’s employees earned safety awards at the Western Pulp, Paper, & Forest Products Safety & Health Conference and last September the Longview mill reached one million safe hours worked. Safety must play a major role in KapStone’s work culture.

MK: KapStone has always been focused on its employees, and safety is imperative. Longview in general was doing better job than legacy KapStone and we are learning a lot from them. In the past, I’ve always thought of safety as a high priority and it was pointed out to me when we bought Longview that safety can’t be a priority, it has to be a prerequisite, which is the correct way to think about it.

Sustainability more so today than ever has begun to differentiate the paper industry in a positive light. How does KapStone approach sustainable manufacturing?

MK: KapStone issued its first sustainability report last year. It’s grounded in the 2020 sustainability goals that are set by the AF&PA. The No. 3 Charleston press project is a good example of sustainability. As a result of that project we’ll be able to produce lighter weight, higher strength material, basically driving fiber usage down. This is key to the sustainability commitment that we’ve made, and let’s not kid ourselves, it’s going to drive our financial success as well.

Also, Longview was the recipient of the 2013 AF&PA award for energy conservation. Again, this is an important area associated with sustainability. That award was the result of several years of very hard work and significant investments, and it’s just another indication of ours and Longview’s commitment to sustainability. This is just one example, there are lots more.

It’s been said that “The best is yet to come.” What lies ahead for KapStone?

RS: OK, well I didn’t write the song, but nevertheless that is my quote. Clearly, from the very beginning, shareholder return for this company has been dramatic. We have substantial upside with our present asset base combined with a great group of people who, frankly make our jobs easy on a daily basis. We like the segment of the industry we’re in and we are very excited about the future.

MK: At KapStone, we’ve built a culture that is centered on satisfying customers and satisfying employees. We believe strongly that our future success is predicated on our ability to satisfy these 2 sets of stakeholders. We want to be a company that is thought of as one that provides the resources consistent with a large company, yet goes to market more like a small company while treating its employees more like a small company. Philosophically, that’s about where we are and I think that’s an important point of difference between our company and others.

RS: Matt and I have a saying that’s been with us a long time, “think big, act small,” and that’s the kind of culture we believe in and hopefully the one we are building.
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The SFT Group and ANDRITZ completed a remarkable project together: taking on the challenge of dismantling a used graphic paper machine in Finland, transporting it to Russia, and reincarnating it as a modern packaging machine at the Kamenskaya mill.

As soon as you enter the gates of the SFT Group’s Kamenskaya paper mill midway between Moscow and St. Petersburg, you come to the realization that this is no ordinary manufacturing site. This mill has been through a huge amount of change. The signs and relics around the mill speak of a very colorful past. The mill started in 1799 as a sugar packaging plant and has been bought and sold a number of times. Once it was lost to a Russian prince as part of a gamble. It was even completely dismantled, moved, and re-erected in the Ural Mountains.

Stability arrived when the SFT Group bought the mill in 2003. The Group currently produces 460,000 tonnes per year of paper and board, and 460 million m³ of corrugated packaging.

Stepan Khomjakov, CEO of the SFT Group, says, “Our Group is focused on the packaging business — vertically integrated with wastepaper collection, mills, and converting facilities. It is a challenging business, but a good business. Russia is becoming more and more a country of consumers, and more consumption means more packaging.”

This article was originally published in ANDRITZ Spectrum magazine.
To meet this growing need, SFT Group’s products are used for packaging everything from food to televisions. Because the Russian recovered paper market is underdeveloped — with a collection rate of only 5% per household and a high ratio of virgin fibers used in containerboard production — the quality of the raw material is excellent.

**STABILITY DOESN’T MEAN STANDING STILL**

The SFT Group has high ambitions: to produce some 700,000 tpy of paper and board and 800 million m² of corrugated packaging annually by 2018, which will make it number one in Russia.

Working towards this goal, Roman Steinberg, Director for Investments for the SFT Group, explains the latest project. “We needed more capacity, but a brand new machine was out of the question due to the capital required,”

Good formation. (l-r) Raisa Zaikova, Kamenskaya Paper Mill; Karl Eickhoff and Klemens Unger, ANDRITZ; and Roman Steinberg, SFT Group; check the formation of the finished product.
he says. “So we kept a close eye on the secondhand market and eventually a shuttered graphic paper machine in Finland came to our attention.”

The machine came from UPM’s Kymi mill, where it produced machine-glazed kraft paper. With a trim width of 4.6 meters and speed of 1,050 m/min, the machine seemed to be the perfect choice for SFT’s expansion requirements. The decision was made to purchase what was to become PM 7 at Kamenskaya.

ANDRITZ was chosen as the company that would be instrumental in handling the complex project. Says Steinberg, “We chose ANDRITZ because we had a successful association with the company and they were capable of taking the whole project from dismantling in Finland to erection and optimizing in Russia, and everything in between.”

“WE NEEDED A MASTER PLAN”

ANDRITZ received the order in June 2011 and soon afterwards dismantling of the machine began. But, this was no ordinary dismantling, according to Klemens Unger, Project Director for ANDRITZ. “Not only did the thousands of parts from this 1970’s machine have to be painstakingly catalogued and marked for reassembly,” Unger explains, “but all the parts needed to be checked and overhauled quickly to keep the very tight time schedule.”

Karl Eickhoff, Senior Vice President, Second Hand Solutions, and a key player in the project explains, “For a complex project like this, we developed an overall master plan document where we basically broke the machine down into functional sections, and then analyzed each part to make sure we could salvage as much as possible from the old machine. The goal was to save SFT as much money and time as possible, while still getting the parts ready in time for installation.”

Overhaul of the old machine began in August 2011 in Finland. “In the case of this machine,” says Eickhoff, “since it had been shut down for five years, there were quite a few parts that needed rework.”

The transportation of the machine to its new home in Russia took place in November and December of 2011. The logistics required 280 containers and 20 specially adapted trucks for the two-day journey. After the civil work, which included the dismantling of two old paper machines, installation of PM 7 started in May 2012.

“Russia is becoming more and more a country of consumers, and more consumption means more packaging.”
— Stepan Khomyakov, CEO, SFT Group

“TURBO-BOOSTING AND FUTURE-PROOFING

To help establish the Kamenskaya mill as a world class packaging producer, ANDRITZ added its own technology to turbo-boost the production line. The machine was upgraded to state-of-the-art by integrating the latest technology from ANDRITZ with refurbished and upgraded sections from the old machine. “It was not as simple as just putting old and new together,” Eickhoff explains.

“The UPM machine contained equipment from Metso, Voith, Honeywell, and others,” explains Unger. “It was our challenge to integrate parts from these various suppliers with our own ANDRITZ paper machine technology. But the result speaks for itself.”

In the press section, a PrimePress X shoe press was installed to obtain maximum dryness and improve sheet properties. More improvement in drying comes with an extension of the original dryer section, adding new and refurbished dryers, and installing a PrimeRun web stabilization system. ANDRITZ also upgraded the winding diameter up to 2.7 meters and automated the roll transportation and reel spool return.

There was also some future-proofing incorporated into the wire section of the machine. Since the SFT Group’s plan is to produce a two-ply liner,

“We were told by a consultant that this project would take a minimum of three years. Together with ANDRITZ, we completed it in 23 months.”
— Raisa Zaikova, Executive Director, Kamenskaya Paper Mill
ANDRITZ lengthened the dewatering area of the wire to allow for the addition of a top layer forming unit in the future.

The end result, according to Eickhoff, is a state-of-the-art system. “Not only the packaging paper machine itself, but the entire line,” he says.

As part of the project, ANDRITZ delivered a new recycled fiber processing line with a capacity of 800 t/d of 20% mixed waste and 80% OCC. ANDRITZ also installed a new machine approach system, including three-stage headbox screening, a save-all disc filter, and under-machine pulpers.

Commissioning of the machine began in March of 2013, and the first paper was on the reel June 11.

“WE ARE ALREADY INFLUENCING THE RUSSIAN MARKET”

Raisa Zaikova, Executive Director of the Kamenskaya Paper Mill, says, “This was a very big project for us, but it was one of the biggest of its kind for ANDRITZ as well. In terms of the timeline, we are completely delighted. We were told by a Finnish consultant that this project would take a minimum of three years. Together with ANDRITZ, we completed it in 23 months. We are delighted with the quality and so are our customers. We are not yet up to the design speed 1,050 m/min, but we know that ANDRITZ will help us achieve that in the near future.”

“ANDRITZ Automation’s control systems have contributed to our quality improvement,” says Steinberg. “We can control the quality easily. This is not only noticeable to our customers, but to our competitors as well. We are seeing signs that they want to follow us down this route, and already they are offering special deals. This project shows that the SFT Group is having a major influence on the market.”

CONCLUSION

Before this project, the Kamenskaya mill was rarely visited by others from around the world, and English was mostly unrecognized. Steinberg explains, “With ANDRITZ involved, the many meetings about the project were a new arrangement for us. ANDRITZ was patient with us, sharing their knowledge. We reached a common understanding. I can’t say that the team speaks English now, but they are very adept with Google Translator!”

“This was not just an equipment supply deal,” Unger remarks. “A true spirit of partnership was a common goal. Yes, it was full of challenges, but both teams were committed and both shared a common vision.”

It seems the project can be summed up with the SFT Group’s own mission statement: “Working together – we create the future.”

If you would like further information about the machine project in this article, please contact Robert Puhr by email at robert.puhr@andritz.com.
The Chinese government announced in November 2013 they were going to impose anti-dumping import duties on Brazil, Canada, and the United States for imports of viscose market pulp. The investigation of ‘dumping’ has been ongoing by the Chinese government for shipments into China from Brazil, Canada and the U.S. since 2012.

The almost immediate impact of this was felt when, on December 17th, Fortress announced shutdown of their Thurso, Quebec mill as a result of being assessed an interim duty on the import of Canadian dissolving pulp shipped to China. This assessment, in addition to a dip in pricing of bleached hardwood kraft pulp, makes the production of dissolving pulp unprofitable for Fortress at the current time.

Within a very close timeframe, Sateri announced the start-up of 4 viscose lines in China with total capacity of 200,000 TPY. The first two started up in December 2013 and January 2014, with the other two already in testing phase.

The imposition of duties, coupled with China’s efforts to decrease their dependence on other countries for viscose pulp, will impact the global viscose pulp market, at least in the near term.

This report will focus on the impact of these movements.

Although China is the largest consumer of dissolving pulp, it currently cannot produce nearly enough to satisfy its domestic demand. And with its recent announcement to impose anti-dumping import duties on Brazil, Canada, and the United States, where will the market for dissolving pulp turn?

By Cathy Greenleaf, Senior Consultant, Fisher International

What Impact Will China’s Duties on Viscose Pulp Have on the Market?

COST TO PRODUCE AND DELIVER

As shown in the cost curve in Figure 2, before duties are applied, only one mill in Brazil, one in Canada, and three in the U.S. can provide viscose dissolving pulp to Beijing at a lower cost than Thurso.

Figure 1: Brazil, Canada, and the U.S. account for approximately one third of the global production of viscose pulp.

Figure 2: Globally, the weighted average cost to deliver viscose dissolving pulp to Beijing is US$664, before duties are applied.
DUTIES

Initial reports indicate the duties may be assessed up to 51%, with the charge to U.S. producers importing into China being 18.7 – 29.8%. The curve in Figure 4 applies an average 24% duty on cash cost for Brazil, Canada and the U.S. sending all of their production to China. The levy assessed clearly impacts competitiveness in the dissolving pulp market for shipments to China from the three countries affected.

DEMAND

China is the largest consumer of dissolving pulp and cannot self-sustain at this point. In the first six months of 2013, China produced only 18% of its total consumption of dissolving pulp; with 48% of its consumption sourced from Brazil, Canada, and the U.S. The closure of the Thurso mill and assessment of duties will deter these countries from shipping to China, at the risk of highly reduced margins; potentially leaving China with a gap of approximately one million tons.

Other potential sources for China’s dissolving pulp demand are Western Europe and South Africa. Shipment from these areas to China would, however, result in shortfalls within their own regions unless more capacity is brought on-line. While Indonesia supplies to China and is the lowest-cost producer globally, they are producing only 18% of their own demand (and importing the rest); hence increasing exports would be a challenge without added capacity.

PRICES

Dissolving pulp prices are based on purity. Norway, although not a heavy producer, has the highest pricing level of any of the countries in the supply chain. The price for dissolving pulp peaked in late 2011 and has declined steadily since.

OUTLOOK

While not all production from the affected countries is imported into China, the impact on these countries as well as the entire market will be felt.

With the imposition of “anti-dumping” duties, the countries affected will have to find the means to either reduce costs or find alternate consumers for their product should they choose to continue production. Those mills in Brazil, Canada, and the U.S. that are currently profitable will either have to produce alternative products, accept greatly reduced margins, or follow suit with Fortress.

The near-term outlook remains questionable for this product that has been, until very recently, showing tremendous growth on a global basis.

NOTES:

1 This report was prepared using FisherSolve™ and the Hawkins Wright Report, “The Outlook for Dissolving Pulp Demand, Supply and Prices,” September 2013.

FisherSolve is a market analysis tool that supports data-driven decision making in the pulp and paper industry. It contains a powerful proprietary database that accurately describes every pulp and paper mill in the world (making 50+ TPD) with information about each mill and machine’s scale, asset quality, cost-of-production, competitiveness, market shares, and much more.

Cathy Greenleaf is a Senior Consultant at Fisher International. She can be reached at cgreenleaf@fisheri.com.
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HIGHLIGHTS

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• OpEx Reliability Workshop
• Executive Panel

• State of the Industry
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Each year presents a new set of challenges in Washington, D.C. and in state capitols. Some issues carryover from one year to the next; others shift with public opinion and legislative results from the prior year.

The AF&PA board of directors ensures that our policy priorities are in line with the political environment and with business needs. We concentrate our advocacy efforts with lawmakers and regulators on the industry’s highest priorities.

AF&PA’s winter board meeting took place at the association’s new office space at 1101 K Street, NW in Washington. Sen. Jeff Sessions (R-Ala.), Rep. Michael Michaud (D-Maine), and U.S. Commerce Secretary Penny Pritzker met with the board to hear some of the industry’s most pressing concerns. Our messages for 2014 include the following key issues.

**Greenhouse gas regulations:** We will work with key stakeholders and the Environmental Protection Agency (EPA) to support recognition of the carbon neutrality of biomass in greenhouse gas regulations, including in prevention of significant deterioration rules and new source performance standards.

**Air regulations:** We will work with lawmakers, EPA, and other stakeholders to support development of practical and sustainable air regulations, including ozone national ambient air quality standards, boiler maximum achievable control technology and non-hazardous secondary materials rules.

**Energy:** We will support energy policies that take into consideration the carbon-reduction benefits provided by the industry’s use of biomass in energy production as well as cost and supply implications for the paper and wood products industry.

**Rail and truck transportation:** We will support Congress’ work to create better and more efficient rail and truck transportation options for the industry through the Federal Highway Reauthorization Bill or other related legislation. Specifically, we will advocate for an increase in the Interstate truck weight limit to 97,000 pounds when trucks are outfitted with a sixth axle. This configuration will allow for more efficient and safer trucks to use the Interstate system and not be on local roads. Additionally, we will support enacting comprehensive rail reform that includes changes to anti-trust laws and the Surface Transportation Board to ensure that railroads provide AF&PA members, especially those with facilities “captive” to just one rail line, with competitive rates and reliable service.

**Forestry and agriculture:** We welcomed passage of the Farm bill in early February and will work with legislators, the U.S. Department of Agriculture (USDA), and others to ensure industry concerns are addressed in a variety of forestry and agriculture programs, including advocating for adequate funding of the Forest Inventory Analysis program and for inclusion of forest products in the USDA’s BioPreferred program.

**Tax:** We will track and work to ensure that any tax changes improve economic growth, job opportunities, and the competitiveness of U.S.-based businesses.

**Postal:** We will continue to advocate for postal reform, as one-third of all paper produced in the U.S. goes into the mail stream, worth $6 billion in industry revenues. Stable postal rates are important to the mailing industry supply chain.

**Paper options:** As government pushes toward digitization, we will engage with legislators to ensure that those without access to Internet – or those who simply prefer an option – are able to obtain paper documents for a variety of government services, including social security statements, checks, tax forms, savings bonds, and prescription drug labeling.

In addition to these areas, AF&PA staff will continue to track, engage, and report on many other issues of importance that come up on Capitol Hill throughout the year, both at the federal and the state levels. For more information about the issues we work, visit www.afandpa.org.
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