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I attended Paper2015 in Chicago in March. It’s an event I’ve been to, and been a part of, for many, many years. The convention for me each year takes on a certain flavor, if you will, that usually involves something considerable going on in the industry. The flavor is generated by a combination of the people at the convention and the programming the event organizers AF&PA and NPTA put together. The flavor this year as I saw it was “sustainability.”

The interesting phenomenon about sustainability is it’s no longer just a buzzword. It’s become a game-changer. It very well may be the lever behind a fundamental shift in the way consumers perceive paper and the manufacturers behind the product — and that’s exciting.

During Paper2015, the main event on Monday (March 16) was the Industry Leadership Session which included a panel of CEOs who talked about emerging issues, opportunities and challenges within the industry — one of the challenges, of course, being consumers’ distorted perception of paper and paper-based products. However, with challenges come opportunities, and this is where sustainability walks through the door.

It was during the Leadership Session that Mark Sutton, International Paper’s Chairman and CEO, said something that got me thinking. He said the industry knows what sustainability is and is following through on its mission to produce products in a sustainable manner. But, and more importantly, does the industry know what its customers’ idea of sustainability really is? Because if consumers don’t understand it, then they’re not going to buy into it.

The next day, the motivational speaker at the Paper2015 Luncheon, touched on what I think is the answer. Former Navy SEAL Robert O’Neill, who served as an operator and team leader with the legendary Navy SEAL Team Six, gave an inspiring talk, to say the least. His mantra ‘Never Quit’ was injected a number of times throughout his delivery. O’Neill’s team completed over 400 combat missions without a team member being injured or killed and he attributes that success to a few different things; one of which being simplicity.

“My definition of mission success is easy: it’s an achieved goal with a positive outcome. We start here; and we want to get there,” O’Neill said pointing to imaginary spots in the air. “There’s not one way to get there; there’s 50 ways to get there.”

So how did he and his team come up with a plan after plan that allowed them to survive? “When I used to define stuff or plan missions, I love the acronym KISS — Keep It Simple, Stupid,” he said as he cracked a smile.

And it’s O’Neill’s KISS concept that the paper industry needs to adopt if it’s going to shift its definition of sustainability from where it is now to a place where consumers will no longer avoid choosing paper for fear of killing trees or contributing to the destruction of the environment.

Although sustainability can be a complicated subject, it doesn’t have to be defined to consumers as such. To that charge, let’s all take a page from Robert O’Neill’s survival guide: “Keep moving forward and never quit,” and by all means, “Keep It Simple, Stupid.” ■
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NORTH AMERICA

RockTenn and MeadWestvaco Agree to Merge

Rock-Tenn and MeadWestvaco on Jan. 26 announced that they entered into a definitive combination agreement to create a global provider of consumer and corrugated packaging (“NewCo”) in a transaction with a combined equity value of $16 billion. The combined company, to be named prior to closing, will have combined net sales of $15.7 billion and adjusted EBITDA of $2.9 billion, including the impact of $300 million in estimated annual synergies to be achieved over three years.

Under the terms of the deal, which has been unanimously approved by the boards of directors of both companies, MWV stockholders will receive 0.78 shares of NewCo for each share of MWV held. RockTenn shareholders will be entitled to elect to receive either (a) 1.00 shares of NewCo or (b) cash in an amount equal to the volume weighted average price of RockTenn common stock during a five-day period ending three trading days prior to closing for each share of RockTenn held.

The cash and stock elections by RockTenn shareholders will be subject to proration such that the resulting ownership of NewCo will be approximately 50.1% by MWV shareholders and 49.9% by RockTenn shareholders, and based on the shares outstanding today, approximately 7% of RockTenn shares will receive cash in lieu of stock.

Steven C. Voorhees, CEO of RockTenn, said, “This transaction brings together two highly complementary organizations to create a new, more powerful company with leadership positions in the global consumer and corrugated packaging markets . . . Planning for the integration of these two companies has already started and we expect to expeditiously realize the full value of cost synergies we have identified.”

John A. Luke, Jr., Chairman and CEO of MWV, said, “We are creating the leading global provider of consumer and corrugated packaging solutions — and generating significant value for both companies’ shareholders.”

Voorhees will serve as CEO and president of the combined company, and Luke will become non-executive chairman of the board of directors. The combined company will maintain its principal executive offices in Richmond, Virginia, and will have operating offices in Norcross, Georgia.

Both parties target closing the deal in the second calendar quarter of this year.

Crown Paper Group Acquires Port Townsend Holdings Company

Crown Paper Group, Inc. in February acquired Port Townsend Holdings Company, which includes the Port Townsend Paper mill in Port Townsend, Washington; the Crown Packaging plant in Vancouver, BC; the Boxmasterring packaging plant, also in Vancouver; and Distribution Centers in Kelowna, BC, and Calgary, AB.

Crown Paper Group is a holding company created in 2015 for investments in the paper and packaging industries. The executive leaders of the Group have worked together in the paper and packaging industry for a century and a half (collectively).

Roger Hagan, who served as President of Port Townsend Paper Corp. from May of 2013 until his recent retirement this past February, told the local press that the acquisition will not immediately change operations at the facility, which employs about 300 people.

“This is very positive for the mill because the people who are buying us know our business and how they can make it more profitable,” Hagan said.

“My mandate when I came here was to get the mill in a salable position. I was involved in many things to get it operating in a positive, good cash-flow manner, and to position the mill so it can move forward,” Hagan added.

FutureMark Closing Manistique Mill

At press time, FutureMark said that on or around March 24 it would shut down its Manistique paper mill in Michigan. The mill, which employs 147 workers, specializes in 100% recycled uncoated printing and packaging papers.

The company, which recently started marketing the mill and intends to continue this process, says the closing has been caused by "large cash needs to fully reposition the mill."

“This is an extremely difficult decision for us given the exceptional efforts put forth at the Manistique mill since it emerged from bankruptcy in 2012 to reposition the mill’s grade mix and invest strategic capital to improve the operational and financial performance of the mill," said Matthew Nightingale, CEO of Manistique. “Despite this progress . . . the mill was unable to return to profitability. This, combined with the ongoing challenges in the paper markets, have led to the decision to close the FutureMark Manistique mill.”
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NORTH AMERICA

Resolute to Permanently Close Paper Machine #9 at Alma Mill in Quebec

Resolute Forest Products in March announced the permanent closure of paper machine #9 at its mill in Alma, Quebec, representing a reduction of 75,000 metric tons of annual specialty papers production capacity.

Resolute said that its decision to reduce specialty papers production capacity is driven by market weakness, exacerbated by fiber cost issues in Quebec, as well as ongoing misinformation campaigns by Greenpeace and other environmental activist groups.

“Greenpeace’s ill-founded attacks misrepresent the company’s forest management practices and cast unwarranted doubt on Resolute’s compliance with Quebec’s Loi sur l’aménagement durable du territoire forestier and our sustainability leadership,” said Richard Garneau, President and CEO of Resolute.

“Quebec’s forest management regime is among the best in the world, and the government ensures strict compliance. The regime deserves to be respected and upheld, and we are calling upon the Quebec government to continue to defend its standards and to refute these unjustified and unfounded attacks,” Garneau said.

“These misinformation campaigns impact Resolute and people’s lives, as they further destabilize the industry, triggering socioeconomic consequences for the communities that depend on the boreal forest for their livelihood,” Garneau added.

The Alma paper mill employs approximately 340 people and has an annual production capacity of 350,000 metric tons of specialty papers across three machines.

Machine #9 will be permanently closed at the beginning of April, resulting in the elimination of about 85 jobs and the permanent reduction of some 75,000 metric tons of production capacity.

Resolute said that it understands the impact this decision will have on employees, their families and the local community. “The decision to rationalize our paper production capacity in Alma was a difficult one to make, as we are mindful of the impact it will have on the affected employees,” Garneau said.

“Resolute remains committed to customer service and to the delivery of high-quality products, and will work closely with customers to continue to meet their needs,” Garneau concluded.

SOUTH/CENTRAL AMERICA

Brazilian Pulp Exports Up in 2014, Paper Dipped Slightly

Despite the unfavorable Brazilian macroeconomic scenario in 2014, with economic growth stalling and inflation on the rise, the planted trees industry managed to maintain its production levels and recorded new highs in some of its key indicators, as a result of a series of adjustment measures adopted by the companies, according to Ibá (Brazilian Tree Industry).

The pulp segment made significant progress. From January through December 2014, exports totaled 10.6 million tons, a 12.6% increase over the previous year, when 9.4 million tons were exported. Overall pulp production also recorded a high, reaching 16.5 million tons, an 8.8% increase compared to 2013, when 15.1 million tons were produced.


From January through December 2014, paper exports reached 1.8 million tons in the 2014 YTD, a 1.1% decrease compared to the same period in 2013, while paper production remained stable, totaling 10.4 million tons in 2014.

Export Revenues. Pulp, paper and wood panel export revenues in 2014 totaled US$7.4 billion, up 1.1% compared to 2013, when total revenues reached US$7.3 billion. The industry’s trade surplus for the year totaled US$5.5 billion, a 2.8% increase year-over-year. Europe is still the main destination for Brazilian pulp, answering for approximately 40% of the revenue, followed by China and North America, with 30% and 20% respectively. Shipments to China increased 8.2% in 2014.

Domestic Sales. From January through December 2014, pulp sales in the domestic market grew 5.5% year-over-year, reaching 1.8 million tons. In 2014, paper remained stable, totaling 5.7 million tons.

“2015 will be a year of important challenges for the sector, especially in view of the tax adjustments that are being announced by the economic team as President Dilma Rousseff’s second term gets under way,” said Elizabeth de Carvalhaes, Ibá’s CEO.

“Competitiveness will continue to be a key concern on the industry’s agenda this year, mainly in order to stand up to global players that are becoming increasingly competitive,” Carvalhaes concluded.
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SOUTH/CENTRAL AMERICA

Smurfit Kappa to Acquire Folding Carton Producer Grupo CYBSA

Smurfit Kappa Group has agreed to acquire Grupo CYBSA, a non-integrated corrugated, folding cartons and flexible packaging manufacturer with operations in El Salvador and Costa Rica.

CYBSA is a private company with about 1,000 employees and net assets of approximately US$40 million. It operates five packaging plants located in the higher growth markets of El Salvador and Costa Rica, along with Guatemala and Honduras.

“We are very pleased to announce our agreement to acquire CYBSA and look forward to welcoming the excellent team from CYBSA into the Smurfit Kappa Group,” said Gary McGann, CEO of Smurfit Kappa.

“The transaction reflects our continued commitment to increase our market presence in the Americas and will further enhance SKG’s capacity to provide innovative, insight-led, differentiated and value enhancing packaging solutions to both current and prospective customers throughout the Americas,” McGann added.

Smurfit Kappa expects to close the deal in the second quarter of 2015, subject to customary closing conditions and regulatory approval.

EUROPE

Finnpulp Progressing with Plans to Build 1.1 Million Tonne Pulp Mill

Finnpulp Ltd. said that it is progressing with plans to build a EUR 1.4 billion pulp mill in Kuopio, Finland. The proposed pulp mill would have an annual production capacity of 1.1 million tonnes of softwood pulp, 60,000 tonnes of tall oil (a by-product of the Kraft process of wood pulp production), and 0.8 TWh bio-electricity to the national grid.

Finnpulp explained that long-fiber softwood pulp is used in the production of tissue paper and packaging paper grades, which are forecast to maintain steady growth.

According to Finnpulp, the pulp mill project planning began in 2012 and the company was founded in May 2013. A feasibility study was completed in February 2014.

Finnpulp said that it intends to start an environmental impact assessment in spring 2015, after which the company can apply for an environmental permit.

Investment decisions will be made as the project progresses, and project funding negotiations are ongoing with domestic and international investors, Finnpulp noted.

Arctic Paper to Hike Price for UWF Paper Grades

Arctic Paper has announced a 5-8% price increase on all uncoated woodfree (UWF) paper grades, both in sheets and reels, for all markets and deliveries as of April 2.

The Poland-based papermaker said that it has taken several measures to further reduce input costs and increase efficiency, but current manufacturing cost levels and cost increases, partly effected by currency exchange rate, make a paper price increase unavoidable.

Sappi Europe to Increase Price for Specialty Papers

Sappi Europe announced that it will increase prices for its specialty papers by 5-7%, effective April 15.

The price hike applies to all European and overseas markets and includes all coated and uncoated Flexpack papers, Siliconising base papers and Label papers.

Sappi said significant cost increases of raw materials, particularly pulp, have made the price hike necessary.

EUROPE

Aylesford Newsprint Files for Bankruptcy

The papermaking and recycling company Aylesford Newsprint, based in Kent, United Kingdom, on Feb. 24 entered into administration — a British version of U.S. Chapter 11 bankruptcy protection.

Allan Graham and Rob Croxen from KPMG have been appointed as administrators. “Significant overcapacity in the newsprint market, coupled with rise of digital media, has created challenging operating conditions for Aylesford Newsprint,” Graham said. “The business has been loss-making for a number of years and was unable to be maintained as a going concern.

Upon appointment of the administrators, the production facility was closed and 233 employees made redundant. The remaining 65 staff have been retained to assist the administrators in the sale of the assets and the decommissioning of the plant.

The newsprint manufacturer, which has been operating at its Kent site since 1922, consumes around 500,000 metric tons of recovered fiber per year to produce more than 400,000 metric tons of 100 percent recycled-content newsprint. The mill primarily consumes old newspapers (ONP), mixed paper and old magazines (OMG).

Aylesford was acquired by US-based private equity firm Martland Holdings from Mondi and SCA in October 2012.

The only other mill manufacturing newsprint in the UK is Palm Paper, which opened its 400,000 tpy Kings Lynn, Norfolk mill in August 2009.
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LEIPA Group Plans Expansion of Containerboard Capacity in Germany

LEIPA Group announced that it is considering a substantial expansion of its containerboard production capacity after conducting a successful preliminary assessment. The company’s current mill site in Schwedt, Germany (also its headquarters) was studied for the project.

LEIPA said the start of operations “is planned for as early as the 2016 financial year.”

“Investing in a further containerboard machine is one of the possible options for further expanding the market position we already have in the field of packaging paper,” said Peter Probst, managing director LEIPA Holding. “LEIPA has been extremely successful with the global marketing strategy for its products, meaning we now have the necessary foundations to invest in additional production capacities.”

The expansion project would include a new paper machine to produce corrugating medium and testliner (white and/or brown) in the range of 80 - 140 g/m². The target capacity of the planned machine would be approximately 290,000 tonnes per year.

LEIPA noted that the new machine would complement existing production opportunities in Schwedt, where 120 - 200 g/m² of coated and uncoated white top testliners are currently produced.

The LEIPA Group currently produces about 900,000 tpy of graphic paper and packaging paper at its Schwedt and Schrobenhausen locations in Germany.

OpenGate Capital Completes Acquisition of Nantes Paper Mill in France

The private equity firm OpenGate Capital in February completed the acquisition of DS Smith Packaging Papeterie de Nantes SAS from DS Smith.

The Nantes mill, located in Nantes, France, is a specialty producer of white top testliner made from 100% recycled fiber, with a wide grammage and trim range. The business has approximately 70 employees and a production capacity of approximately 50,000 tpy.

Under terms of the deal, the mill will continue to supply materials to its former parent company, DS Smith, and over time and under OpenGate’s ownership, will expand its customer base throughout France and Europe.

Julien Lagreze, OpenGate Capital’s Partner overseeing all European investments said, “The acquisition of the Nantes mill is a direct result of nearly a year-long discussion with DS Smith. We were proactive in identifying the mill as a perfect complement to NorPaper given its white top recycled testliner production capabilities, particularly with large widths and the business’s ability to produce testliner III “brown” that will greatly enhance NorPaper’s product offering.”

OpenGate Capital acquired NorPaper from Cascades in 2011. NorPaper is a leading producer of white top testliner sold to European packaging manufacturers.

NorPaper and the Nantes mill will have a combined annual capacity of 200,000 tpy, which will position the business as number one in France and among the top five in Europe.
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Sappi Limited plans to build a pilot-scale plant for low-cost Cellulose NanoFibrils (nanocellulose) production at the Brightlands Chemelot Campus in Sittard-Geleen in the Netherlands. The pilot plant is expected to be operational within nine months.

Andrea Rossi, Group Head Technology, Sappi Limited, said that the pilot plant will help with Sappi’s move into new adjacent business fields based on renewable raw materials. “The pilot plant will test the manufacturing of dry re-dispersible Cellulose NanoFibrils using the proprietary technology developed by Sappi and Edinburgh Napier University. The location of the pilot plant at Brightlands Chemelot Campus provides Sappi with easy access to multiple partners with whom Sappi will seek to co-develop products that will incorporate CNF across a large variety of product applications to optimize performance and to create unique characteristics for these products.”

Math Jennekens, R&D Director at Sappi Europe who is the project coordinator and will oversee the pilot plant, commented, “We are very excited to be able to move from a bench top environment into real-world production. Our targeted run-rate will be 8 tons per annum. We will produce a dry powder that can be easily re-dispersed in water. The nanocellulose is unmodified, which makes it easier to combine with other materials. The product will be used to build partnerships to test the application of our nanocellulose across the widest range of uses.”

Valmet will supply an OptiConcept M containerboard production line for Yuen Foong Yu (YFY) Packaging Inc. for the company’s Xin Wu site in Taoyuan County in Taiwan.

With a design speed of 1,200 m/min, the new machine will have an annual capacity of about 300,000 tonnes of high-quality fluting board grades from 100 percent recycled raw material.

Valmet’s delivery also includes a new winder. Start-up of the new machine is scheduled for the third quarter of 2016.

Penn Warehousing & Distribution, Inc. in 2014 was recognized with the Gerald H. Halpin Memorial Safety Excellence Award from Signal Mutual Indemnity Association. Penn was selected out of 240+ members to receive this award. The award was presented at the Signal Mutual Board of Directors meeting in Whistler, BC Canada.

It is noteworthy to mention that the 240 members that Penn was compared to were all in the categories of Marine/Terminal, Stevedores and Warehousing companies.

The Gerald H. Halpin Memorial Safety Excellence Award is Signal’s highest award of honor designed to recognize the Signal Member Company that has exemplified the promotion of employee safety and health throughout their organization.

The recipient company must establish safety as a “core value” in their commitment to the prevention of workplace injuries and illnesses. The company must establish safety initiatives that are integrated throughout the organizational structure through the implementation of a Safety Management System. In addition, the company must promote wellness and be actively involved in safety off-the-job and in the community.

Penn Warehousing & Distribution is a leading provider of service to the forest products industry located on the East Coast. The company specializes in the safe and secure handling and warehousing of all types of paper, pulp and timber products. Its labor force is specially trained in the proper handling of these products and is sensitive to the requirements of handling high quality coated paper, newsprint, Kraft liner, pulp and all types of wood products.

Valmet to Supply New Containerboard Machine for Yuen Foong Yu Packaging

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Packaging Matters

New study by MWV says packaging continues to play a key role in brand perception, product trial and repeat purchase.

MeadWestvaco recently launched "Packaging Matters™", the company’s third annual study of the impact of packaging on product satisfaction and consumer purchasing behavior. This year the study examined the attitudes of consumers in five markets (Brazil, China, Germany, France and the United States) across 11 FMCG product categories (food, beverage, personal care, etc.), offering brand managers key insights on how to increase the impact of packaging for their business.

"Packaging Matters data show packaging continues to hold significant importance for global consumer satisfaction with a strong link to purchase intent and brand loyalty. While a majority say new packaging is headed in the right direction, there are significant current gaps between the importance of product packaging and how brands are meeting consumer needs. Consumers are clear on how to close this gap: with targeted innovations related to functionality and safety."

"This year’s study continued to emphasize the strong link between packaging satisfaction and consumer purchasing behavior. Packaging plays a key role in brand perception, product trial and repeat purchase," said Pete Durette, senior vice president, MWV.

"Packaging Matters data show a strong correlation between packaging satisfaction and the consumer behaviors that brands want. Consumers who are completely satisfied with packaging engage in sought-after purchase behaviors more often. These consumers are more likely than their less satisfied peers to purchase and use products frequently (57% v. 47%), shop frequently both in-store and online (24% v. 17%), and try something new because of packaging (44% v. 36%)."

Packaging is still important to global consumer satisfaction
Similar to last year’s study, Packaging Matters data show 31% of global consumers consider packaging very or extremely important to their overall satisfaction with consumer products.

Who: Packaging is most important to key targets of major brands: frequent shoppers, urban shoppers with high spending power and brand loyal shoppers. Thirty-seven percent of consumers have tried a product because packaging caught their eye or purchased a product again because of packaging functionality. Researchers found a significant increase in importance in the United States (18% up to 24%) and a slight rise in China (38% up to 39%).

Where: In geographic distribution, packaging is most important to consumers in developing markets (China and Brazil), where trust in the supply chain is not as strong as in developed markets (France, Germany and the United States).

In what product categories: Across the 11 categories surveyed, packaging has the greatest impact on purchase decision for refrigerated/frozen food, beauty/personal care/fragrance, and take-out food/beverage. More than 1 in 3 consumers say packaging is very or extremely impactful to their purchase intent in these categories.

Online v. in-store shopping: When it comes to retail channels, packaging is considered more important to in-store purchases (57%) than online purchases (43%), but that gap is closer than some might think. China was the only country in which a majority of consumers (65%) say packaging is more important for online purchases. Those who say packaging is very or extremely important to their satisfaction are also more likely to increase the frequency they shop online in the future.

Consumers optimistic about new packaging innovations
Packaging Matters data show 83 percent of global consumers are at least moderately satisfied with packaging, but just over 1 in 10 is completely satisfied, leaving an opportunity for brands. Compared to last year, satisfaction increased 3% in the United States and dipped 2% in China, where safety has been a major concern.

When it comes to their future outlook for packaging, consumers are optimistic. More than 77% believe brands are headed in the right direction when it comes to new trends in packaging.

Packaging Matters is MWV’s annual study of consumer satisfaction with packaging. This year’s research examined the impact of packaging on consumer product satisfaction and purchasing behavior across 11 product categories among 5,075 consumers in five global markets, including Brazil, China, Germany, France and the United States.
The next generation in paper machine clothing cleaning systems

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- The demand for energy to produce the water jet and the water consumption is very low
- Vacuum produced by using low amount of mill air supply - no need for additional evacuation sources like vacuum pumps or regenerative blowers in combination with a water separator.
- The application prescribes the quantity and size of the nozzles – variable adaption
- The FabriCare design does not require a suction hose inside the beam which could get clogged.
PAPER

Clearwater Paper announced the retirement of Thomas A. Colgrove as President of the company’s Consumer Products Division. Colgrove will continue to serve as president of the division until the beginning of the second quarter. Patrick T. Burke, who currently serves as the company’s Vice President of Supply Chain, will assume the role of Senior Vice President and President of the company’s Consumer Products Division, when his successor for the supply chain function is appointed. Colgrove will also continue to serve the company until the end of 2015 to assist in the transition.

Glatfelter recently promoted Christopher W. Astley to Senior Vice President & Business Unit President, Advanced Airlaid Materials (AMBU). Astley had been Senior Vice President, Corporate Strategy of Glatfelter.

Gould Paper has named Donald Heller as Senior Vice President Strategic Sourcing. Heller will be working out of Gould’s corporate headquarters in New York City.

MeadWestvaco has named Naveen Ganzu as managing director for the company’s operations in India. Ganzu has three decades of experience in the industry, including as President of Motherson Sumi Systems.

Monadnock Paper Mills announced that Paul Fedkenheuer and Mark Skahan have joined the company as Senior Technical Sales Managers. Both Fedkenheuer and Skahan come to Monadnock from FutureMark Paper Group. Additionally, Al Bobst, has been promoted to Director of New Business Development.

Northwoods Paper Converting announced that Bob Benjamin, formally of Proctor & Gamble, has joined the company as head of Maintenance/Project Engineer in NPC’s Pennsylvania facility.

SCA has appointed Magnus Groth as President and CEO. Groth has worked at SCA since 2011, holding the position of President of the Business Unit Consumer Goods Europe. Groth replaces Jan Johansson, who stepped down as President and CEO in February.

INDUSTRY SUPPLIER

Thiele Kaolin Company announced that Gus Lempsink has joined Thiele Nordic AB as Technical and Process Applications Manager. A native of the Netherlands, Lempsink holds a degree in Chemical Engineering.

RECOGNITION

Charles P. “Chuck” Klass of Klass Associates Inc. has been awarded the Gunnar Nicholson Gold Medal Award from TAPPI. This is the highest honor the Association can bestow upon an individual. Established in 1928, the Gold Medal 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.”

Abdus Salam, a graduate student from North Carolina State University, is the winner of Valmet’s Tissue Technology Award. The purpose of the award, which includes a prize amount of $25,000, is to promote university students’ or scientists’ work to develop environmentally sound products applicable to the tissue making processes.

RESIGNATION

Catalyst Paper announced that Brian Baarda, Vice President, Finance and CFO, has decided to leave the company to advance his career in a more senior leadership role with another organization.
Tough little cookies.

A crushed roll of paper can cost manufacturers and their customers countless hours, dollars, and headaches. But by simply inserting core plugs into each roll, paper makers can reduce damage and loss claims for just pennies per roll. As a family-owned New England company that has been producing core plugs for over 50 years, Souhegan guarantees a high-quality, steady inventory of the products you need, whenever you need them.

We offer two different types of high-density, molded wood core plugs engineered specifically for the paper industry:

**CorSaver Plug**

Designed for fine coated papers, the name says it all – this little gem can withstand three times more pressure than most other center hole plugs on the market. In independent testing, our CorSaver plugs withstood a 10,000 lb crush in a .668” walled paper tube.

**Center Hole Plug**

With an easy-out design preferred by many end-use customers, an impressive crush strength, and a competitive price, our re-engineered Center Hole plugs are an industry favorite for all grades of paper.

- 3” Center Hole plugs have a crush strength of 2,300 lbs in a .668” walled paper tube.
- 4” Center Hole plugs have a crush strength of 5,000 lbs in a .25’’ walled paper tube.

For more information on standard plug sizes and custom options call us at (603) 654-2311 or visit us online at www.souheganwood.com
The paper and board market in Central and Eastern Europe is set to grow by approximately 2% annually through 2019 in volume terms, according to a new study by Smithers Pira. The industry was worth approximately $30 billion in 2013. This was made up of about 19 million tonnes of raw material that was converted into some 18 million tonnes of finished product.

**Strong Russian Demand**

Russia currently dominates the market, with their demand representing the largest share of this market by country, accounting for over a quarter of the total volume. It is the political and economic trends in Russia that appear to exert the greatest influence over this market. Whilst this political uncertainty prevails, there is reluctance amongst foreign investors to become too closely involved, while elsewhere in the region investment in modern equipment is improving the general quality of production across the market.

A new study by Smithers Pira — The Future of Paper and Board in Central and Eastern Europe — shows that around 60% of all paper and board in this region is used in packaging applications and this proportion is expected to increase over the five year review period to 2019. This is being driven partly by organic growth in packaging demand fed by increasing retail sales — as a result of higher disposable incomes — improving distribution infrastructure and many demographic influences that have a positive effect on packaging demand, from increasing urbanization and population growth, through to aging populations and growing health consciousness.

**Internet Helping to Drive Demand**

The decline in demand for newspapers, books, directories and stationery — largely as a result of the adoption of digital technology — is fortunately outweighed by the burgeoning direct mail industry, also tied to the growth in internet and mobile data usage. Conversely, demand for packaging is looking to show sustained moderate growth of 3% annually from 2014-2019. This is driven by growing demand for liquid packaging products, trends to smaller pack sizes, increasing use of retail ready packs, and other trends which tend to stimulate packaging demand, including retail and distribution infrastructure development.

This major new report by Smithers Pira shows demand for paper and board in Central and Eastern Europe is set to increase by just over 2 million tonnes between 2014 and 2019, of which over 85% will be in the form of packaging products. This incremental demand will be worth nearly $4.2 billion to the industry at constant 2013 prices.

*The Future of Paper and Board in Central and Eastern Europe* is available now from Smithers Pira. For more information, please visit: www.smitherspira.com.

Smithers Pira is the worldwide authority on packaging, paper and print industry supply chains. Established in 1930, Smithers Pira provides strategic and technical consulting, testing, intelligence and events to help clients gain market insights, identify opportunities, evaluate product performance and manage compliance.
Congratulations David Scheible and GPI, leading the way in sustainable packaging.

The paper and board industry looks to companies that continuously push the envelope in creativity and sustainability. Graphic Packaging International exemplifies this leadership, providing inspired packaging solutions for some of the world’s leading consumer brands.

Voith Paper is proud to be a supplier to this outstanding company, and we congratulate David W. Scheible, President and CEO of GPI, on being honored as Papermaker of the Year.

www.voith.com
Demand for Corrugated and Paperboard Boxes Expected to Exceed $39 Billion in 2018

Food and beverages represent the largest single market for corrugated and paperboard boxes, accounting for 50 percent of total demand in 2013.

Demand for corrugated and paperboard boxes is projected to exceed $39 billion in 2018, according to a new study Corrugated & Paperboard Boxes conducted by The Freedonia Group. Gains will improve from the performance of the 2008-2013 period as manufacturing output continues to recover from low levels following the 2007-2009 recession. A rebound in the production of nondurable goods such as food, beverages, cosmetics and toiletries, pharmaceuticals, and cleaning products will fuel heightened requirements for related shipping and other boxes.

Other factors supporting increases will include accelerated output of durable goods, improved consumer spending growth, a rebound in construction spending, and further rapid growth for online shopping. Value increases will also be helped by the growing presence of value added box types, such as display-ready boxes and boxes with high quality graphics.

Economic Recovery to Drive Most Product Segments
Corrugated and solid fiber box opportunities will be driven by a recovery in the manufacturing sector coupled with their position as the shipping container of choice for a broad array of durable and nondurable goods. Volume advances will reflect expanded use of lighter weight, high performance paperboard grades that can provide compression strength similar to that of corrugated boxes made from traditional heavier weight paperboard.

Folding carton demand will improve from the performance of the 2008-2013 period and will be supported by a rebound in nondurable goods output and expanded opportunities in carryout food applications. However, advances will be restrained by competition from other packaging formats — particularly flexible packaging.

Set-up boxes will remain a specialty niche in the box industry, with imports comprising an increasing share of demand. Nonetheless, prospects will be helped by an improved outlook for discretionary spending and boxes’ entrenched position as upscale packaging for fragrances, premium confectionery products, and gift sets.

Food & Beverage Market to Remain Dominant
Food and beverages represent the largest single market for corrugated and paperboard boxes, accounting for 50 percent of total demand in 2013. Segments that are expected to post above average gains include produce; meat, poultry, and seafood; dairy; and beverage, with sugar and confectionery, baked goods, and grain mill product uses expected to grow more slowly.

Despite sustainability efforts aimed at reducing excess packaging by eliminating boxes and cartons or reducing the amount of paperboard utilized in food and beverage cartons, ongoing opportunities in the vast food and beverage market will be based on a combination of relatively low cost, protective performance, and a well-developed infrastructure for recycling.

Nonmanufacturing Market to Grow the Fastest
The durable goods market will post a rebound through 2018, supported by heightened output following low levels of recent years. Moreover, a rebound in construction activity will drive demand for household appliances, furniture and other durable goods, as well as related boxes.

The nonmanufacturing market will be the fastest rising box market through 2018 and beyond, propelled by the continuing popularity of online shopping and greater use of carryout food boxes in the foodservice industry in light of growing restrictions on foam carryout containers.

Corrugated & Paperboard Boxes (published 12/2014, 356 pages) is available from The Freedonia Group. For further details please visit: www.freedonia.com
Problems with Recycled “Stickies”?

Machines making paper from any percent of recycled paper can be affected by a build-up of “stickies” on many of its rolls and dryers. Fluoro-Coat™ 200 is a sprayed on coating that can be applied to any roll or other surface plagued by “stickies”.

Fluoro-Coat™ 200 is also available as a heat shrinkable sleeve for carrying rolls. Request a sample for the duct tape test.

Dirty Dryer Cans?

Build-up on a dryer can create temperature profile irregularities as well as sheet contamination. The simple fact is that a dirty dryer section will not dry the sheet as well as a clean dryer section.

Fluoron’s BCS Roll Cleaning System can clean up to 12 dryers at a time and leave dryers with a nice smooth appearance so that efficient drying can be achieved.

“We increased machine speed 12% with improved quality.” —Paper Mill Engineer

Static or Wear a Problem?

Fluoron’s Fluoro-Stat™ sleeves prevent build-up on various rolls and run 4-10 times longer than conventional heat shrinkable sleeves. Rolls can stay in the machine longer because this reinforced, anti-static cover will maintain its thickness while providing great “anti-stick” performance.

Fluoro-Stat™ sleeves are especially great on bowed/spreader rolls located after a press section and before the dryer.

Problems Threading?

Irregular rope grooves are often the cause of threading issues and premature rope wear, but Fluoron’s Copley Rope Savers can correct many of these problems. Whether grooves are: different sizes, filled with coating, or roughened by corrosion and rust, Copley Rope Savers are the solution.

Fluoro-Coat™ 200 is also available as a heat shrinkable sleeve for carrying rolls. Request a sample for the duct tape test.

Build-up on Dryers?

The first couple of dryers after a coater or size press are susceptible to an excessive amount of build-up. Fluoron can provide a “non-stick” surface in both a spray-on coating or a heat shrinkable sleeve that will allow the sheet to dry without sticking to heated dryer cans.

TEFLON FEP Dryer Sleeves and our Green Fluoro-Coat™ X550 spray coating eliminates build-up on dryers.

Short Felt Life?

Corroded and pitted felt rolls can drastically shorten the life of a brand new felt. Fluoron provides the solution with their Fluoro-Wear™ 102 heat-shrinkable sleeves. In a matter of a couple hours, these reinforced sleeves can be slipped over the old rolls, providing a better than new, smooth “non-stick” surface.

Fluoro-Wear™ roll covers have increased felt life 100%.

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Hard Work by Mills Balance Supply to Shrinking Uncoated Freesheet Demand

For much of 2014, uncoated freesheet markets marched steadily onward despite the contraction in demand. Prices remained mostly stable following gains made early in 2014 on the heels of a major capacity reduction as producers continue to closely monitor supply. The 2015 outlook would appear to follow the same track, but a trade dispute has added a new wrinkle that could impact supply and prices.

Until late last year, the steady and ongoing trend at the heart of or driving most of the activity in the uncoated freesheet market — the continued contraction in U.S. demand for printing and writing grades including uncoated fine paper — was the main news. To a large extent, watching the market consists of monitoring the pace with which producers cut capacity or take market related downtime to keep the market in balance. And as a result of producer’s efforts, prices have been stable for the most part and nothing too eventful was expected to happen. However, in late 2014, a new wrinkle suddenly came into play that could change this: a trade dispute centering on uncoated freesheet imports.

To review, North American printing and writing paper demand fell 4.1% in 2014 to 21.3 million tons and shipments dropped almost 5% to 18.7 million tons. All four major grades of coated and uncoated papers posted declines. N.A. uncoated freesheet demand fell 4.3% last year to 9.1 million tons, which was expected and in line with the average annual loss of 3% to 4% posted over the last few years. North American freesheet shipments dropped more significantly, off 7.9% vs 2013, but much of this was due to major reductions in capacity.

One important development last year was a major surge in uncoated freesheet imports which rose 33% to 1.1 million tons. Early 2015 data show the market continues to contract, with demand down 2.3% in January vs. the prior year and shipments off 2.6%.

Capacity Curtailments

U.S. mill shipments of uncoated freesheet grades were off a little more than 9% last year vs. 2013 levels at 8 million tons. U.S. shipments improved dramatically in December after weak November output that saw shipments fell under 600,000 tons for the first time ever. However, as noted, the nearly double digit drop in output was driven by capacity curtailments rather than a steeper plunge in demand, as U.S. fine paper mills shut down about 1 million tons of uncoated freesheet capacity in a short span of time from late fall 2013 to early 2014. This included closure of the large 750,000 tpy Courtland, Alabama mill. The move to rationalize capacity

One important development in 2014 was a major surge in uncoated freesheet imports, which rose 33% to 1.1 million tons.
continued in late 2014 as Domtar reported plans to close 364,000 tpy of uncoated freesheet capacity in Ashdown, Arkansas, converting it to fluff pulp production.

Consumption Down
The drop in uncoated freesheet consumption continues to be spread across most industries and end-uses as technology continues to impact the use of paper in a variety of applications. The major uses for uncoated freesheet grades include office reprographics — the largest market — which includes cut-size and other sheets used in everyday office printers and copy machines. Shipments to this end use were off by 10.4% vs. 2013 levels at 3.1 million tons. The second largest market, commercial printing, saw shipments drop by almost 11% to 1.7 million tons. Part of this market is driven by the use of uncoated freesheet in direct mail and promotional activity which continue to struggle. The two markets account for over 61% of shipments.

Trade Action on Imports
In late 2014, however, a new issue entered the picture that could have either no impact or significantly influence the market depending on the direction it takes. Four of the largest North American producers and the United Steelworkers filed a trade dispute on imports of uncoated freesheet papers including cut-size grades from overseas, notably from China and Indonesia, claiming that they were selling at unfairly low prices. Countering this argument, several of the world’s largest fine paper producers claimed that a nearly 10% reduction in capacity by U.S. mills was the cause for an import surge over the last year. The initial ruling in early March by the ITC supported the claim and the next step is to determine what duties if any are warranted.

There is no doubt, however, that a major surge in uncoated freesheet imports has occurred. The share of U.S. demand held by imports rose dramatically from 9% of demand in 2013 to 13% in 2014.

The two largest sources, which alone accounted for nearly 500,000 tons, were Indonesia and Brazil, up 104% and 15%, respectively, over their 2013 tonnage levels. Imports from Portugal the third largest source at 162,000 tons through November were flat, while imports from China, Hong Kong and Australia, which totaled about 225,000 tons, were up over 50% from 2013 levels.

Pricing Hinges on Supply
As mentioned, pricing was steady for most of 2014 although some minor weakness occurred in the fourth quarter as prices slipped a modest amount on some grades. Prices had moved up in early 2014, coinciding with news of the large withdrawal of the Courtland capacity, rising modestly on cut size grades with offset grades posting even larger increases. These gains followed a long period of flat prices which had lasted for more than 2 years.

So the outlook for 2015 is that demand is projected to contract an additional 3-4%, or 300,000 to 350,000 tons, and producers will continue to adjust output to match consumption. This would likely result in pricing moving up or down a modest amount depending on the exact timing of curtailments or short term market related downtime.

The trade dispute, however, has thrown a bit of a monkey wrench into the prognostication game. If duties are imposed, then prices may move up a bit more than expected. In addition, duties would make imports less attractive and this could also tend to reduce capacity curtailments that might otherwise occur.

Harold Cody is a contributing writer for PaperAge. He can be reached by email at: HCody@paperage.com
Russia’s forest industries should be one of the top five performers in our industry, but they have not yet delivered. CEPI and RISI have reported that in 2014 Russia’s paper and board production grew by 4% — the highest in Europe. It’s an encouraging growth rate, especially as Russia has been hit by a lending squeeze and a falling oil price that has slumped 60% since last July.

To put those economic factors into perspective, oil and gas account for 70% of Russian exports and half the government’s revenue, while Russia’s credit rating in January was cut to junk status by Standard-Poor’s for the first time in a decade and the ruble has fallen 40% against the dollar in the past year.

And piling on this already shaky wagon, some $64 billion of debt which has to be repaid to foreign investors.

Nevertheless, some of the industry’s pulp and paper producers see potential amidst the challenges: International Paper’s joint venture with Ilim Group; Mondi (Syktyvkar); SCA with manufacturing sites in Svetogorsk (tissue mill), Sovetsk, Tula region (tissue mill), and Veniov (personal care products facility). Private equity players from China and some Italian tissue makers also have investments in Russia. Although I’m sure there is concern among them due to the country’s current turmoil, they’re all invested for the long haul.

According to Smithers Pira, the paper and board market in Central and Eastern Europe is set to grow by approximately 2% annually through 2019 in volume terms, and the industry was worth approximately $30 billion in 2013.

“Russia currently dominates the market, with their demand representing the largest share of this market by country, accounting for over a quarter of the total volume,” says Smithers Pira.

Franz J. Marx, CEO of the Ilim Group spoke last December at a paper industry conference in Vienna and said that the group’s production volume has exceeded 100% of the production plan for Koryazhma where Ilim produces coated paper. However, he noted that Ilim, as well as Russia’s paper industry, still faces challenges including “inadequate development of transportation infrastructure, terms for extension of long-term timberland leases for bona fide lessees, and transportation costs exceeding the inflation rate.”

Despite the rocky road, industry players persevere. One, for example, is Angara Paper with plans to build a new pulp mill in Lesosibirsk, in the Krasnoyarsk region in Siberia that would have the capacity to produce 900,000 tons of softwood bleached pulp and 300,000 tons of dissolving pulp along with lumber and wood pellets. Angara is currently looking for an industrial partner who could put up 10% of the $500 million equity financing the project requires. The total cost of the investment is about $3.2 billion.

SUSTAINABLE DEVELOPMENT NEEDED

The EBRD (European Bank for Reconstruction and Development) and FAO (Food and Agriculture Organization), in a July 2014 study, estimated that the Russia’s Far East (RFE) occupies one-third of the country’s territory and...
accounts for nearly 10 percent of the world’s forests. Both organizations have been working together to promote viable forestry investment in Russia’s Far East based on the sustainable use of forest resources. Their RFE study follows a forest policy process in the Western part of the Russian Federation.

“We can see the future for forestry resources and their strategic location with respect to countries of the Asia-Pacific market,” said Alexander Filkine, the EBRD’s Head of the Russian Far Eastern Federal District. “The potential for developing forestry in the Far East is obvious.”

Foreign investors who are looking at the RFE include Denham Capital (USA), Sumitomo Corp (Japan), TriNorthern Capital (Canada) and Rusforest (Sweden). But what intrigues me are the Chinese investors — one of them being Russian North Star Pulp Industrial Complex, which is wholly owned by the Chinese firm Heilongjiang Xingbang International Resources Investment Co. Ltd.

North Star is putting the finishing touches on a new pulp mill in the Chita region of southeast Russia. The greenfield mill, which is expected to start-up in this summer, will have an annual capacity of 230,000 tpy of unbleached market pulp when fully operational. The mill’s entire output will be exported to China.

**UNTAPPED POTENTIAL**

Russia’s President Vladimir Putin in April of 2013 announced plans to invest 400 billion rubles (approx. $13 billion) to finance priority projects in the country’s forestry industry to make the sector attractive for investment and address its long-term problems.

“We must also make forestry attractive for investment. We plan to invest over 400 billion rubles in 118 projects in the sector which have received priority status,” Putin said at that time. Nearly two years later, however, it’s difficult to tell how many of those ‘priority’ projects were addressed and/or how much of those proposed funds have been spent.

Much of the potential of Russia’s pulp, paper and forest products industry remains untapped — a situation that the leaders of that country have no one else to blame but themselves — and the need for foreign investment in that sector could not be greater. Maybe time itself will help right the ship, but in the meantime, a much more attractive picture needs to be painted than the one we’re seeing today.

David Price is a contributing writer for PaperAge. He can be reached by email at: DPrice1439@aol.com.

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A Pure Play in Paperboard

Free cash flow is up and debt has been pared down, and Graphic Packaging is in the driver’s seat on a course towards opportunities to further develop new products, uncover strategic acquisitions, and enhance shareholder value.

By John O’Brien, Managing Editor

Graphic Packaging has undergone nothing short of a transformation since David Scheible was named President and CEO in 2007. At that time, the company consisted of an array of somewhat small divisions via acquisitions and was highly levered.

Under Scheible’s leadership in the years that followed, Graphic Packaging would determine what it did best, narrowing its focus and growth strategy on paperboard production and folding cartons, while selling businesses that were non-core to its mission.

In the past two years, Scheible has engineered deals for the acquisition of three successful European businesses: Contego Cartons, A&R Carton’s Beverage Packaging, and The Benson Group. The acquisitions have resulted in a European converting network of ten plants with 260,000 tons of capacity and increased European sales to about $620 million. The deals have provided the cornerstone for Graphic Packaging to gain a significant position in Europe.
In 2014, the company divested its non-core multi-wall bag and labels businesses.

Entering 2015, Graphic Packaging continued to grow and optimize its core paperboard and packaging business in North America through the strategic acquisitions of Rose City Printing and Packaging, Inc., and the converting and paperboard mill assets of Cascades’ Norampac division.

Today, Graphic Packaging’s business has more than doubled as a result of what Scheible refers to as a “vertically integrated pure play paperboard packaging business.” The company has significantly improved profit margins, reduced debt by over $1.2 billion and realigned its focus on food, beverage and consumer products.

In consideration of the aforementioned accomplishments, PaperAge has selected David W. Scheible, Chairman, President and Chief Executive Officer of Graphic Packaging Holding Company as our 28th “Executive Papermaker of the Year”.

How would you describe your style of management?

In many ways I have changed my style as Graphic Packaging’s needs have changed. Early on it was much more hands on, more controlled decision-making from the center because we were trying to preserve cash for debt reduction. We were a highly levered company.

Today we’re more of an established public company, so the style has changed. It’s become a lot more delegated responsibility because that’s what the organization needs, and we’ve hired different teams with different skills.

The one thing I would say has been consistent with me is that I always try to focus more on the ‘why’ than the ‘what’ or the ‘how’. That seems to help us think through the problem-solving, and it helps our questioning about the assumptions. When Graphic talks about continuous improvement, if we force ourselves to ask ‘why’ we tend to make better longer term decisions than focusing on the ‘how’ or the ‘what’.

Since being named President and CEO of Graphic Packaging in 2007, you’ve driven the company through a transformation. Could you give us an idea of where Graphic Packaging was back then and the direction it took to realign itself?

We had a good business, we had great assets, but we were way too highly levered. My father ran his own small company and he used to tell me, “If you have enough cash nothing else matters, but if you don’t have enough cash, nothing else matters”, and the latter is how Graphic Packaging was back then.

We had to focus the business on paying off the debt, and that’s what we did. It was very difficult sledding during that period of time. We had to focus on running the business horizontally. If you think about a business, many times the stand-alone P&L units are trying to optimize their businesses vertically, but the cash for a business like Graphic Packaging is often horizontal — it’s the cash that gets tied up between the converting businesses, the mills and the customers.

So we literally had to optimize the whole organization to make sure we were generating cash. What that meant, for example, was we had to make sure we weren’t taking market-related downtime in our mills, make sure our converting businesses were doing the right thing to maintain our share, and grow our business so that the paperboard mills did not shut down because that would have impacted the cash generation.

We increased the integration and revamped our capital spending, putting a lot more back into the mills. Optimizing that part of the business made a lot more sense than spending a lot of money on the converting businesses at that point in time. We also changed the compensation back then. We measured everyone using the exact same metrics as opposed to having individual metrics — everybody was motivated around cash generation and debt reduction.

Today we are a little more balanced between cash generation and growth. Now we can make strategic investments
David Scheible emphasizes that Graphic Packaging is a vertically integrated “pure play” paperboard packaging business. “...we’re a paperboard company, we make folding cartons — we’re a packaging company with a focus on food, beverage and consumer products around the world, so we’re not in a lot of other spaces.”
our beverage business, in Canada. This gives us an opportunity to build a better North American business overall.

On the other side of the coin, it was a business that Cascades didn’t need any more, and they were investing in other areas. Obviously they have a huge bet in corrugated, so this was an opportunity to pick up some assets that were good for us but not core for them, and that was the motivation for the deal.

**Graphic Packaging in January acquired Rose City Packaging, a West Coast-based converting business. What does this business bring to the table?**

Rose City is a great geographic business. They have really, really good people. I’m as excited about the people in that organization as the physical assets. They’ve been incredibly successful on the West Coast. I’ll be the first to tell you that in many of the spaces out there they out-competed us, and we want to build on that success. We have a paperboard mill in Santa Clara, California and that mill services that geographic space. Rose City brings great assets and good market position in craft beer and in frozen foods, and that’s what the Santa Clara mill is really targeting. So we think that’s the right strategic approach for us.

**Do you have anything else in that area?**

A few years ago we bought Sierra Pacific Packaging on the West Coast and integrated that into our Santa Clara mill. What we’re looking to do at Rose City is to take the model that’s been so successful at Sierra Pacific with their people and their market focus and integrate that into our Santa Clara board mill. I couldn’t be happier with the Rose City purchase.

**Graphic Packaging generated over $350 million of free cash flow in 2014 and you expect to generate $350 - $375 million in 2015. How is this important to Graphic Packaging? What opportunities does this open up for your company?**

Our focus in 2015 is to reduce our debt a bit more. I think we finished 2014 at 2.7x and we’d like to get that to 2.5x, so we have a little bit more debt to pay off. On top of that, we expect to invest excess cash back into our business, predominantly the mills. Much like the Macon, Georgia biomass investment we made a couple of years ago there are other opportunities in our West Monroe, Louisiana and Kalamazoo, Michigan mills.

**And beyond reinvesting in the mills?**

We’ll continue with the bolt-on acquisitions like the ones we just talked about, and we want to be able to have the cash to do that. Then we’ll start to return the excess capital to shareholders. We declared a dividend in the first quarter of 5 cents per share, which is the first time in the history of Graphic Packaging that we’ve been able to do that. That will be our model as we go forward: having enough versatility with cash flow to invest in the business and return excess to shareholders.

**Where do you see future opportunities of growth in terms of paperboard grades for Graphic Packaging?**

We’re customer-facing and we sell, market and manufacture all carton products in all of the grades: SBS, SUS and CRB. We like SUS a lot because it probably has the broadest appeal in terms of cost and performance. The pine fiber used in its production is very strong and provides great tear strength, and we can make it moisture resistant so it’s ready for frozen and beverage applications.

Our focus with SUS is to grow the pie and that’s what we’ve been working on, like Capri Sun (high performance folding carton) a few years ago, and Tite-Pak® (enclosed packaging system for glass bottles) that we commercialized recently. More currently, in the case of Europe, our model...

Graphic Packaging’s Tite-Pak® is a fully enclosed solid fiber carton for glass bottles that is designed to reduce glass breakage and remove the need for internal partitions. The proprietary design integrates into existing brewery equipment with no stops or interruptions and without diminishing line speed.
David Scheible has been to buy the right converting businesses and find out where our SUS product really works, especially in areas where it’s been successful in the U.S. If we can pull those tons through, then we will have increased the overall pie for SUS on a global basis. We’re already up to almost 150,000 tons of paperboard going into Europe, while only three years ago we were in the low 70,000-ton range.

We make a lot of CRB, and we buy SBS, but if I had to look at it right now the greatest opportunity for our growth seems to be in the SUS products.

Keeping with Europe, Graphic Packaging acquired 3 businesses in the last two years. What drove that strategy?

Our assets in Europe were not very good. They were principally in the UK serving the beverage market. We had a decent market share but were faced with having to make some significant investments in our own assets. So, strategically, we thought that the better thing to do would be to buy businesses with the best assets in food, beverage and food service products in our business space, and that’s exactly what we did.

The European acquisitions were Contego Cartons, A&R Carton’s Beverage Packaging, and The Benson Group. Tell us about these businesses.

All three were owned by private equity, and we were able to make unsolicited non-auction bids to buy them. A&R is a great beverage business in Europe. They have the only installed web press operation in that region. They had the largest position with Heineken. Then we bought Contego, which was a leading supplier to the food industry, and they also had great assets. Last year we bought The Benson Group, and Benson is in a totally different space in the UK. They have a lot more consumer retail food service products, and they are by far the leader. I like what we’re doing in Europe.

More and more of Graphic Packaging’s SUS has been integrated into those European operations. How have you gone about doing that?

We’re finding the applications that make sense, so it’s almost an application by application process as opposed to “we’re just going to sell board in Europe.” We do not sell any SUS on the open market, so every ton that we ship into the European market becomes a carton we manufacture. It may take a little longer, but it results in more control of the process. It’s also more profitable for us. I believe we can do 200,000 tons in Europe in the next two to three years.

Outside of the U.S. and Europe, where is Graphic Packaging a good fit?

Outside of the United States and Europe, we like the South American market. We have a business in Brazil, and it is growing. We also have people on the ground in Asia Pacific. The multi-pack business is just beginning to grow there with consumers’ expanding discretionary income. It’s going to be a good business for us down the road, but right now it’s pretty small. So we are there and we’re selling machines and cartons. We’ve got a converting network on the ground in that region with a few dozen sales representatives and businesspeople, but it’s going to take a while for our Asian business to be material to our P&L.

As I’ve mentioned, we’ve made the move in Canada, and you know North America is important to us. I’ve said on the record that I’d like us to be bigger in Mexico than we are right now. We have one plant in Mexico, and we’re still looking to acquire in that country, but we just haven’t found the right deal.

Considering that Graphic Packaging’s products are face-to-face with consumers, product development takes on a critical role. What are some of the more prominent innovations that the company has recently delivered to the market?

We have brand new microwave offerings in the U.S. and, just in the past fourth quarter, in Europe as well. We built out a brand new microwave supply line in Wausau, Wisconsin, which is where most of our microwave products are produced, and we doubled our capacity at Wausau because of market demand. Frozen food and chilled food is a great product category, and we’re very excited to be able to serve that market.
target for our microwave products and we have a treasure trove of intellectual property in those products.

Our Tite-Pak is a growing product for us. We sell it into the beer distribution centers with our large customers. The product reduces glass breakage by insulating the bottles from each other so they don’t break in the supply chain. We’re seeing the product scale up across the U.S., and we’re starting to have success with it in Europe.

The other thing we’re doing — and have been for the last few years — is producing SUS in heavier caliper, and doing some things with the carton itself, allowing us to replace corrugated. Corrugated is a great product, but many times it’s been overused because it was the only packaging available for a new product. Many products in the club stores don’t need a corrugated box or container for protection, so we’re redesigning those packaging products using heavy caliper SUS or CRB.

What’s taking place at Graphic Packaging in terms of energy conservation?

Two years ago we spent nearly $85 million putting a biomass boiler in our Macon, Georgia mill. It was brought on-line in 2013 resulting in us actually selling energy back to the grid. In West Monroe, Louisiana, it didn’t make much sense to install a biomass boiler because our recovery boiler was new and a new bark boiler wasn’t necessary. What we were able to do was use low-cost natural gas, which of course is plentiful in the state of Louisiana, and buy a used co-gen facility from a large university in the U.S. (being delivered by rail to West Monroe). Our plan is to burn natural gas to turn the turbine and generate our own electricity as opposed to purchasing electricity as we do today.

The game plan for us is to get off the energy grid, and soon we will no longer need to purchase electrical energy in either of our large virgin fiber mills. We are also studying co-gen opportunities at our recycled board mills.

It’s been said that a business is only as good as its employees. Graphic Packaging has been doing very well and that says something about the people who work for the company. What’s in place at Graphic Packaging to keep people motivated?

We work on the culture constantly, and we define culture at Graphic as the way things get done at the company. We work on communicating our values and living those values. One of the things Graphic Packaging people talk about is being accountable to each other. A good story is not the same as a good result at Graphic Packaging. If we say we’re going to do something, then we reinforce among each other that that’s a commitment we’ve made to each other and we need to follow through on that commitment — it’s to our shareholders, to our customers, and ultimately it’s trying to drive a culture of accountability and commitment to one another.

We also conduct employee surveys every year to find out what we’re doing well and what we’re not doing well. For example, in a survey we just finished, one of the things we learned is that our employees would like to see Graphic Packaging be more visible in local communities. You know what? We’re glad to do that. The last three to four years, the corporation has put funding and volunteer hours behind food banks and educational committees, among other areas. This supports the communities in which we operate, and it makes the Graphic Packaging name more recognizable.

Across the board, we’ve got thousands of Graphic Packaging employees involved locally and the corporation is supporting it. People feel good about working for a company that supports its local communities and responds to its employees. More than anything, that communication process is what helps drive our culture.
Fiber microscope measurement is enabling a paradigm shift in how LC refining is controlled to achieve final sheet properties in a cost-effective way.

By Ossi Laitinen, Ismo Joensuu, Kevin VanPembrook, Marko Loijas and Tommi Niskanen
way — or even a paradigm shift — in the way refiners are controlled. This is welcome news to papermakers who are trying to make a uniformly strong sheet with lower basis weights, higher ash levels and less desirable and non-uniform recycled fiber in the furnish.

**MEASUREMENTS VALIDATED**

The premise that the online fibrillation measurements can be used to predict final sheet properties has been shown scientifically and in real-time paper, tissue and board making processes. Researchers at the University of Oulu, Finland confirmed in a study that the online Metso Pulp Analyzer with High Definition Image Analysis is reliable for estimating the degree of external fibrillation in kraft and TMP pulp. This measurement is essential for monitoring and detecting process upsets, along with estimating key strength properties. The fibrillation measurement and its relationship to sheet strength properties has been validated at several mills using virgin kraft pulp and TMP as a sensitive measurement of the refining conditions in stock preparation systems. The real process experience now backs up the science.

How does fibrillation affect sheet strength? External fibrillation can be defined as a peeling off of fibrils from the fiber surface, while leaving them attached to the fiber. Small objects outside the region containing fibers are not calculated in the fibrillation index, but instead as fines of differing dimensions. As expected, fibrillation is improved with increased refining energy. The external fibrillation of the fibers contribute to paper strength the same way the small wires that interlock the rebar in concrete, whereas the long fibers may be compared with a function of the rebar itself. This fibrillation increases the bonding surface area of fibers ensuring the fiber to fiber interlocking required to improve paper strength properties.

The fibrillation of fibers is measured in the Metso Pulp Analyzer by a high definition image analyzer that is an upgrade to previous generations of fiber analysis modules in Kajaani MAP and Metso MAP analyzers. The image analysis processing determines the degree of fibrillation (Figure 1). The analyzer also measures many other fiber properties including fiber length distribution and fractions, fiber width, kink, curl, coarseness, vessel cells and shives. The analyzer also includes a freeness measurement module. The fiber samples are taken by process sampling devices at up to 20 points. The measurement cycle time is 3 to 6 minutes depending on the configuration.

**SOFT-SENSOR PREDICTS STRENGTH**

The online measurement has been shown to respond to changes in refining conditions (Figure 2) and to show trends
and significant variability in fibrillation that would translate to changes in sheet strength (Figure 3). This variability can come from normal refining condition changes including refiner plate wear, consistency variations and chemical factors like pH.

Once the validity of the measurement was established, the next step was to use the fibrillation data to see if final sheet strength properties could be predicted with certainty. Measurements from the Fiber Imaging Module are processed by a partial least squares (PLS) regression algorithm method which is used to develop a modeling tool for paper strength properties based on the analyzer fibrillation and other online fiber measurements. The models which have been created using the modeling tool are transferred to the Metso Softsensor predictor.

Additionally, the modeling method can be used to predict pulp strength properties. The program is stand-alone and can be automatically maintained in a process control system. It has been observed that fibrillation is heavily weighted in all strength prediction models that have been tested. Freeness and other fiber properties still play an important role in strength prediction, but fibrillation has significantly improved the model stability.

The online measurements have been used to successfully predict sheet strength properties that compare very well to laboratory tests. This includes tensile, z-direction tensile, and CD tear (Figure 4). The elongation test in tissue has also been modeled. Fiber properties also influence other paper sheet properties. For instance, it has been shown that there is a strong correlation to formation index.

**BETTER FURNISH CONTROL = COST-EFFECTIVE PAPERMAKING**

Online trending of sheet strength properties derived from fiber fibrillation, refining energy and freeness reveal that the consistency of end product strength is heavily dependent on fibrillation. Freeness alone is not sufficient to achieve stability, although it is a constraining variable.

Papermakers have always relied on freeness, but have long suspected it didn’t tell them everything. It turns out they have been right all along. That missing on-line information is now available and will no doubt change the way refining is managed in stock preparation. For stable strength control a multi-variable model is called for. That process is currently underway at mill sites.

Conventional control using freeness to control specific energy may have to be updated with new and more effective models based on fibrillation. Fibrillation control represents a step above traditional horsepower days per ton and freeness control since it can make online compensation for consistency, plate wear and changes in stock chemistry to produce a paper sheet that has consistent strength. With that consistent strength achieved by the fibers, papermakers can run lower basis weights, higher ash contents and can tolerate lower-quality recycled furnish with the optimum fiber blend consuming the right amount of energy. With more cost-effective furnish, a significant return on investment is possible.

**REFERENCES:**


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April 15th is known as “Tax Day” in the U.S. Granted, it’s not a day most of us look forward to, but the process of filing your taxes is one that most Americans take seriously as their civic responsibility. Imagine if your ability to fulfill that responsibility was inhibited by actions of the very government agency requiring your filing. That is happening today as the Internal Revenue Service (IRS) has discontinued not only the mailing of paper-based tax forms but, beginning this year, is no longer providing printed instructions for completing tax forms.

Why is this important? Doesn’t everyone file their taxes electronically anyway, you may ask? No, there is actually a significant portion of our population who either prefers or relies upon paper to receive communication from its government and to fulfill their obligations in return. In 2014, over 23 million tax returns were submitted on paper.

But, can’t everyone just download the tax instructions and print themselves if they wish? No, the ability to access filing instructions and file electronically is still not readily available to many Americans: 30 percent of the U.S. population who either prefers or relies upon paper to receive communication from its government and to fulfill their obligations in return. In 2014, over 23 million tax returns were submitted on paper.

Americans of all ages living in all regions of our country deserve to have access to information and services from government, especially when they are fulfilling an obligation as basic is filing income taxes. Agencies are disregarding the needs of many Americans who have contributed to the success of our country and those who may be the most vulnerable. By making access to forms and information available only on the internet, many Americans are left out of the necessary flow of information.

IRS withdrawal of the option for citizens to request and receive paper tax filing instructions this year is just the latest in a disturbing trend of U.S. government agencies making such unilateral decisions, creating difficulties for millions of Americans. Paper savings bonds, even though nearly three-quarters of the savings bonds sold in 2012 were in paper format. The Social Security Administration has announced plans to move virtually all senior citizens currently receiving their Social Security benefit checks through the mail to direct deposit, even though 9.6 million households do not have a bank account, according to the Federal Deposit Insurance Corporation (FDIC). The Veterans Administration invested nearly half-million dollars in a paperless claims system, only to have the number of claims taking more than 125 days to process increase three-fold.

For those who cannot access digital information in a convenient way, paper is their access point to important information from government. And, many Americans simply prefer the security, familiarity and peace of mind that sending and receiving paper documents provide.

While digital is a part of life today, so is paper. The policies and means by which our government serves its citizens should ensure that citizens have the choice of paper to receive information and services they need to fulfill their civic duty.

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