PAPER MACHINE TECHNOLOGY
Greenpac’s PM 1 producing lightweight containerboard; mill opts for outsourced maintenance program

COATED FREESHEET
Outlook remains challenging as U.S. demand for all coated printing papers continues to contract
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CORRECTION: In the March/April 2014 issue of PaperAge, in the story “What Impact Will China’s Duties on Viscose Pulp Have on the Market?”, page 31, Figure 4, the graph title should read “Cost Landscape of Viscose Pulp Delivered to Beijing With Duties.”
Can You Hear Me Now?

By John O’Brien, Managing Editor
jobrien@paperage.com

In the January/February 2013 issue of PaperAge, we published an article authored by Sarilee Norton titled Lightweight Containerboard in North America — “Can You Hear Me Now?” The story generated a great deal of interest from our readers and the topic is worth talking about.

“Lightweights are generating a lot of “buzz” in the paper and packaging community. Even a casual observer of the industry would be hard pressed to say he or she hadn’t heard a presentation or read a story that mentioned lightweights as a trend to watch,” Sarilee states at the beginning of the story. “Yet many containerboard suppliers and corrugated producers say they simply don’t see much interest in lightweights and that demand for 26# and lighter grades hasn’t changed significantly in the last two decades. Is there a disconnection, or is there some other explanation?”

Sarilee provided a half dozen or so reasons why lightweight containerboard wasn’t as sought after as perhaps it should be. One reason was; “There simply hasn’t been enough demand for lightweights to justify further investment in capacity.”

However, and as the title of the article foreshadowed, the demand for lightweight containerboard is in fact gaining traction in the U.S., as evidenced by a number of machine projects either completed or nearing start-up.

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.

SP Fiber Technologies (SPFT) in January announced plans to convert a newsprint machine, PM5, at the company’s Newberg, Oregon paper mill to lightweight packaging grades. SPFT expects to complete the conversion by the end of June.

Packaging Corp. of America will convert the No. 3 newsprint machine (D3) at DeRidder to containerboard, producing lightweight linerboard and medium. PCA intends to shut down D3 in mid-September and have it back up and running by Nov. 1.

Of course, the 900-lb. gorilla in the room is Cascades’ Greenpac Mill, which started-up last July. The mill, located in Niagara Falls, NY, was a greenfield project and features PM 1, a Valmet-supplied containerboard machine with the capacity to produce 486,000 tonnes per year of lightweight linerboard made from 100% recycled fiber (see page 20).

In an interview with PaperAge this past February, Kapstone’s chairman Roger Stone said demand for lightweight grades is growing — especially for high performance lightweights.

“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. 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,” he explained.

The compelling part of what Roger touched on was “benefits to the customer and benefits to the producer.” In that same interview, Kapstone’s president and COO, Matt Kaplan, added, “Our customers are all interested in not only reducing costs but also in source reduction.” He then noted that making lightweight grades also extends benefits to the producer. “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.”

In retrospect, Sarilee was very foretelling in the conclusion of her article. “…the issue of lightweight availability should no longer be a barrier to converters and end-users wanting to take advantage of cost and sustainability benefits that lightweights can offer.”

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Orchids Paper Products Enters Alliance with Fabrica de Papel San Francisco

Orchids Paper Products Company announced a strategic alliance with Fabrica de Papel San Francisco, S.A. de C.V. to support the growth of Orchids’ U.S. West Coast sales.

Fabrica, which is based in Mexicali, Baja California, Mexico, is a privately owned business which started as a tissue converter in 1958 and has grown to 150,000 metric tons of capacity, one of the largest tissue manufacturers by capacity in Mexico.

Orchids expects this alliance will allow it to effectively and efficiently service customers in the western United States and support Orchids’ vision to become a national supplier of high-quality consumer tissue products in the value, premium and ultra-premium tier markets.

As part of this alliance, Orchids will acquire Fabrica’s current U.S. business, including certain manufacturing assets and access to 18,000 metric tons of capacity each year to support the value, premium and ultra-premium requirements of the U.S. market, with an option to purchase an additional 7,000 metric tons in each of the first two years. Products will be produced at Fabrica’s facility in Mexicali, Mexico and shipped directly to Orchids’ U.S. customers.

Operating margins on products produced under the deal are expected to be consistent with margins earned on products produced in Orchids’ facility in Oklahoma.

Additionally, Orchids will receive a non-compete in the United States from Fabrica as well as an exclusive license to use certain of Fabrica’s trademarks in the United States.

Orchids will pay an aggregate of $36.7 million under various agreements, including shares of Orchids common stock having a value of $20 million and cash of $16.7 million, which Orchids expects to fund with a new term loan, discussions of which are proceeding well.

Under the terms of the alliance, Orchids will nominate Mario Armando Garcia Franco, President and Director of Fabrica, or other such person designated by Fabrica, for election as a member of Orchids’ Board of Directors following closing of the transaction.

The alliance has been unanimously approved by Orchids’ Board of Directors and the owners of Fabrica and is expected to close in the second quarter of 2014, following satisfactory completion of customary closing conditions.

Irving Pulp & Paper Breaks Ground in Phase 2 of Pulp Mill Project

J.D. Irving, Limited announced that construction recently got underway for Phase 2 in what is the largest pulp mill investment in Canada since 1993.

The $450 million modernization project at Irving Pulp & Paper in Saint John, New Brunswick, Canada will involve a total of 1.2 million person hours of construction work over the next 48 months, the company said.

Civil work has begun to prepare the site for construction of a continuous digester.

The existing chip handling equipment will also be replaced with state-of-the-art technology as part of JDI’s ongoing investment to stay competitive in the global market environment.

The three phases of the project are as follows:

PHASE 1: 2005-2013
- $140 Million Investment

PHASE 2: Spring 2014
- $198 Million Investment
- 24-month project
- New digester replaces 14 digesters
- New chip handling and screening technology

PHASE 3: Engineering Begins, Fall 2014*
- $263 Million Investment
- 30-month project
- New pulp dryer to replace existing 3 dryers

*Construction based on market conditions.

Irving Pulp & Paper’s pulp mill in Saint John has the capacity to produce 335,000 tonnes per year of NBSK and NBHK pulp. The mill employs about 335 people.

Unisource Worldwide Now Offers New Coated Paper in Canada

Unisource Worldwide has launched uBRAND, a new coated line of printing paper, to customers located in Canada.

“uBRAND will prove to be an easily accessible and reliable family of coated paper products for our Canadian customers,” said Nancy Sobhy, Senior Marketing Manager – Paper and Wide Format for Unisource. “We’re excited to enhance our product offering and we’re confident that uBRAND’s unique, reliable attributes will serve them well.”

uBRAND is a high gloss, double coated sheet with a high stiffness and bulk guarantee. The uBRAND family will include uBRAND Velvet, uBRAND Gloss and uBRAND Digital lines.

uBRAND is PEFC certified and available in 60, 70, 80 and 100 text, and 80 and 100 cover weights.
NORTH AMERICA

Paper Bottle-maker Ecologic Brands and Kruger Agree to Manufacturing Deal in Canada

Ecologic Brands, makers of America’s first recycled paper bottle and the award-winning eco.bottle® line, announced that it has completed the first close of a $7 million round of financing. Investors include a strategic investment from Kruger Inc. and current Angel investors, DBL. Investors, Catamount Ventures, and Black Bear Partners.

As part of the investment agreement, Kruger will become the exclusive licensee and manufacturer of Ecologic’s paper bottle technology in Canada.

According to Ecologic, the deal combines Kruger’s manufacturing, supply chain and paper technology with Ecologic’s patented molded fiber technology, which will help scale Ecologic’s current manufacturing capabilities rapidly.

“We are thrilled to partner with Ecologic, a company whose goal is to provide differentiated and innovative sustainable packaging solutions to consumers around the globe,” said Michael Lafave, Senior VP, Containerboard/Packaging & Recycling at Kruger. “We are especially excited to bring the Ecologic paper bottle technology to our customers in the Canadian market as an additional offering to complement our corrugated packaging solutions.”

Since commercializing its first paper bottle in 2011, Ecologic has manufactured and shipped millions of bottles to 15 brand partners around the world. Currently, 30% of Ecologic’s business comes from the export of their eco.bottle. Its customers also include Safeway and Bodylogix.

Julie Corbett, Founder of Ecologic, commented on the collaboration with Kruger. “By bringing the paper eco.bottle into markets that have been traditionally dominated by plastics, our partnership with Kruger will help us revolutionize the bottling business with one of the most renewable and recyclable resources — paper.”

Most recently, Ecologic entered into a general supply agreement with Sonoma-based winery, Truett-Hurst Inc., to produce paper wine bottles for the company’s PaperBoy brand. PaperBoy wine bottles are made from compressed, recycled corrugate formed into the shape of a standard Bordeaux wine bottle. These new paper wine bottles are 85% lighter than traditional glass bottles, and filled with appellation-based, super-premium wines.

Fortress Paper’s Durasafe Bank Note Paper on Tap for New Swiss Franc Series

Fortress Paper Ltd. announced that its Landqart Mill’s Durasafe® banknote paper has been confirmed as the substrate of the ninth series of the Swiss Franc by the Swiss National Bank (SNB).

Durasafe is a new composite paper-polymer paper banknote substrate developed by the Fortress’s Swiss security paper manufacturer, Landqart AG, in cooperation with the Swiss Federal Institute of Technology (ETH) Zurich.

Durasafe is composed of two cotton paper outer layers with a fully transparent polymer core, which, according to Fortress, adds stability and higher mechanical strength properties to banknotes as well as high security features.

The substrate’s unique properties allow windows to be formed virtually anywhere on the banknote and can contain a watermark and security fibers as well as traditional security features, including easy to recognize banknote paper tactility, the company added.

“After several years of development, we are pleased to have Durasafe accepted as the substrate for the new Swiss Franc series,” said Chadwick Wasilenkoff, CEO of Fortress Paper. “The Swiss Franc is widely accepted as having one of the highest standards of banknote security features in the world and we believe this reference contract will enable us to further generate interest with state banks around the world.”

RockTenn Realigns Operations, Creates Two Business Units

RockTenn announced that it is realigning its operations to serve customers better and to simplify its business.

“This realignment will help customers more easily access our full line of products and services, simplify our operations and build on the company’s exceptional capabilities to serve customers,” said Steve Voorhees, RockTenn’s CEO.

The organizational structure creates two well-coordinated business units: Paper Solutions, led by Jim Porter as President, Paper Solutions; and Packaging Solutions, led by Mike Kiepura as President, Packaging Solutions.

RockTenn’s Paper Solutions business unit encompasses operations of all 24 paper mills including 9.3 million tons of containerboard and paperboard production capacity, sales of containerboard, paperboard and pulp, and a 7 million ton recycling business.

RockTenn’s Packaging Solutions business ships 100 billion square feet of packaging from more than 150 corrugated packaging, folding carton, partition and merchandising display facilities.
IPST announced that it has launched two new consortium projects. Dr. Preet Singh is principal investigator for “Corrosion Control in Paper Machines Using Reduced Fresh Water,” and Dr. Sankar Nair will lead “Robust Membranes for Concentration of Black Liquor.”

IPST member companies Domtar, International Paper, KapStone, MWV, and Verso are funding the projects. Additional member company subscribers will be considered for a limited period of time.

Mills closing up their effluent streams and reusing process waters can create new opportunities for organic and inorganic corrosion mechanisms. The corrosion control project will explore the environmental limits to inhibit both mechanisms, and to guide future materials selection choices.

The Robust Membranes project proposes to develop and demonstrate new two-step membrane filtration processes to achieve half of the required water removal in the energy-intensive black liquor evaporation and concentration processes. The robust membranes proposed will withstand the harsh environment posed by black liquor. Aside from the concentrated black liquor and pulping chemical solids, a byproduct would be recyclable water.

**U.S. Paper Recovery Rate Dips Slightly to 63.5%**

The American Forest & Paper Association (AF&PA) announced that 63.5 percent of paper consumed in the U.S. was recovered for recycling in 2013. In 2012, the recovery rate was 65.1%.

“Paper recovery for recycling is a collective effort,” said AF&PA President and CEO Donna Harman. “We thank the millions of Americans who recycle at home, work and school every day for helping to make paper recovery a success.”

“Our industry and others fostered the voluntary, market-driven product recovery system that enables this success. We will continue to support and implement education programs and other initiatives that drive awareness to increase paper recovery,” said AF&PA Board Chairman and Domtar President and CEO John Williams.

The annual paper recovery rate has nearly doubled since 1990, and the industry has set a goal to exceed 70 percent paper recovery by 2020 as part of its Better Practices, Better Planet 2020 sustainability initiative. Paper recovery for recycling helps extend the life of paper and paper-based packaging products, making it an integral part of the industry’s sustainability story.

For more information about paper recycling, visit www.paperrecycles.org.

**EUROPE**

**BillerudKorsnäs to Invest SEK180 Million in Product Quality Upgrade Project at Gruvön Mill**

BillerudKorsnäs will invest SEK180 million (about USD 27.7 million) to improve product quality on paper machine 6 at the company’s Gruvön mill in Sweden. PM6 produces virgin fiber-based fluting. The product is known as Billerud Flute®.

The approved investment includes rebuilding the press part of the paper machine and sections of the pulping line and wood room. The upgrade project will, in addition to the enhanced quality properties, also allow for an increase in production capacity by about 40,000 tons.

The work is planned to be carried out mainly during 2015. “Through the investment and its product quality impact, we want to create further value for users of Billerud Flute in demanding corrugated applications,” said Lennart Eberleh, SVP Containerboard.

According to BillerudKorsnäs, Billerud Flute offer unique strength properties, especially under humid conditions. The board grade is being used for corrugated solutions for the transport of, among other things, fruit and vegetables and for heavy duty goods.

The Gruvön mill has a production capacity of 685,000 tonnes per year of kraft paper, sack paper, containerboard (fluting, liner), liquid board, cup stock, and market pulp. The mill employs about 880 people.
EUROPE

UPM Raflatac to Install New Coating Line at Labelstock Plant in Nowa Wies, Poland

UPM Raflatac plans to increase production capacity for its film labelstock business in Europe by investing approximately EUR 13 million in a new coating line at the company’s self-adhesive labelstock factory in Nowa Wies, Poland. This initiative will support UPM Raflatac’s target to secure cost competitive growth in films in the long term.

The start-up of the new coating line is expected the first quarter of 2015.

Following the start-up of the new line, an older film coating line in Tampere, Finland and the UPM Raflatac siliconizing line in Tervasaari, Finland will be closed.

In addition, UPM Raflatac plans to improve productivity in its sheet labelstock business by closing sheet labelstock coating operations and reducing capacity in sheets finishing in Polinya, Spain. The sheet coating will be centralized to Nowa Wies.

The planned actions are estimated to result in annual cost savings of about EUR 4 million starting from 2015 and exceeding EUR 6 million in 2016.

If all plans are implemented, the estimated total personnel impact would be a maximum of 122 positions in the affected countries: a maximum of 86 positions in Spain and a maximum of 36 positions in Finland. The majority of restructuring is estimated to be completed by the end of 2014, UPM said.

“In our film business we have enjoyed robust growth in Europe in recent years and therefore we are planning to increase filmic coating capacity in Nowa Wies, Poland.” — Tapio Kolunsarka, Executive VP, UPM Raflatac

Stora Enso to Convert Fine Paper Machine at Varkaus Mill to Lightweight Containerboard

Stora Enso announced that it will invest approximately EUR 110 million to convert a fine paper machine at the Varkaus Mill in Finland to produce virgin fiber-based containerboard.

Stora Enso noted that the majority of the cost is due to the conversion work required on the paper machine and in the pulp mill.

“Utilizing existing assets within Stora Enso and modifying them to a new product line is part of Stora Enso’s transformation to a value-creating renewable materials company focusing on growth markets,” said the company’s CEO Jouko Karvinen. “Varkaus is an ideal mill for this kind of conversion. It has an integrated pulp mill, a power plant and a suitable paper machine.”

“In addition, the mill is well located from a raw material supply point of view and it has the necessary infrastructure and competence to run the project successfully,” he added.

Stora Enso explained that renewable fiber-based packaging has good growth potential in Europe and globally, and the company sees an opportunity to benefit from that growth by investing in competitive kraftliner capacity at Varkaus.

The company expects the project to take place mainly during the fall of 2015 with machine start up scheduled during the fourth quarter of 2015.

Currently, the paper machine has a production capacity of 280,000 tonnes per year of uncoated fine paper. Production will cease by the end of August 2015.

Stora Enso said that it will continue serving its office paper customers from its two other uncoated fine paper units, Veitsiluoto Mill in Finland and Nymölla Mill in Sweden.

Following the conversion, Varkaus Mill’s capacity will be about 390,000 tonnes per year of kraftliner and 310,000 tonnes of brown unbleached kraft pulp.

Most of the mill’s board production is planned to be sold externally, Stora Enso said.
EUROPE

Metsä Fibre Plans to Build $1 Billion Next-generation Bio-product Mill

Metsä Fibre, part of Metsä Group, is planning to build a bio-product mill in the existing mill area in Äänekoski, Finland. The new mill will have an annual pulp production capacity of 1.3 million tonnes and is scheduled to be operational in 2017.

Upon completion of the facility, the approximately EUR 1.1 billion investment would be the largest ever investment in the forest industry in Finland, Metsä said.

According to the company, the new mill will be the world’s first next-generation bio-product mill that can convert wood raw material into a diverse range of products. In addition to high-quality pulp, the mill will produce bio-energy and various bio-materials in a resource-efficient way. A unique bio-economy ecosystem of companies will be built around pulp production.

The annual impact of the investment on the Finnish economy will be over EUR 0.5 billion and it will provide 2,500 jobs in the forest industry value chain. The annual increase in the value of exports is estimated to be EUR 0.5 billion, Metsä added.

“Our new mill will be the most efficient and modern bio-product mill in the world. The global increase in the demand for high-quality softwood pulp is the most important driver for the investment, and our aim is to strengthen our leading position in this market. The investment will support Metsä Fibre’s growth and improve profitability in the long term,” said Kari Jordan, President and CEO of Metsä Group.

“In addition to the Environmental Impact Assessment (EIA) and environmental permit processes, the development of the world economy and especially the economic development in Asia, market outlook and decisions related to for example wood supply, permits and logistics, will affect the final decision.”

The bio-product mill will contribute to achieving renewable energy targets in Finland through increasing the share of renewable energy by approximately two percentage points. Furthermore, the mill will not use any fossil-based fuels; all of the energy required for it will be generated from wood. The wood raw material and side streams will be utilized 100 percent as products and bio-energy.

Metsä Fibre will launch the EIA and environmental permit processes immediately with the aim to have them completed during the first quarter of 2015. The final investment decision is planned to be made in early 2015, in which case the new mill would become operational during 2017.

PM7 “Goes Live” at Mondi Steti

Mondi has “gone live” with the start-up of a new EUR 70 million paper machine in Steti, Czech Republic.

The new machine, PM7, took just thirteen months to build and has the capacity to produce 155,000 tons per year of white Kraft paper mainly used in industrial and shopping bags, protective packaging and ream wrap.

According to Mondi, the paper grades produced on PM7 have a low breakage rate, optimized strength, high tear resistance, along with excellent bulk, caliper and porosity properties.

“PM7 is a very exciting project, offering the combination of exceptionally good printability and high strength properties,” says Clemens Willée, CEO Mondi Packaging Paper.

Mondi Steti currently produces over 500,000 metric tons per year of pulp, paper and board.

Stora Enso Agrees to Sell Uetersen Paper Mill in Germany to Brigl & Bergmeister

Stora Enso has signed an agreement to divest its Uetersen specialty and coated fine paper mill in Germany to Brigl & Bergmeister, an Austrian specialty paper producer. The mill employs about 400 people.

The cash consideration for the divestment of the shares is EUR 10 million.

The transaction is in line with Stora Enso’s strategic transformation to a value-creating renewable materials company focusing on growth markets.

The deal is expected to be complete in mid-July 2014.

Based on 2013 annual figures, the divestment is expected to reduce Stora Enso’s annual sales by EUR 155 million. It will also reduce Stora Enso’s working capital by EUR 10 million and annual paper production capacity by around 240,000 tonnes.

Stora Enso will continue to produce specialty papers at Imatra Mill and coated fine paper at Oulu Mill in Finland.

Brigl and Bergmeister is a producer of specialty paper for the beverage and food industry. The company has paper mills in Niklasdorf (Austria) and Vevce (Slovenia) and a combined capacity of 198,000 tonnes of label and flexible packaging paper.
**AUSTRALASIA**

**Oji Holdings to Acquire Carter Holt Harvey’s Pulp and Paper Business**

Oji Holdings announced on April 26 that it plans to acquire the pulp & paper business of Carter Holt Harvey Limited (“CHH”), Carter Holt Harvey Pulp & Paper Limited (“CHHPP”) and certain related companies (collectively “CHHPP Group”) with Innovation Network Corporation of Japan (“INCI”) and executed a share purchase agreement for the transaction.

The deal has been reported to be valued at about $888.5 million (JPY 92.3 billion or NZ$1.037 billion)

CHHPP Group manufactures pulp, paper and packaging products in New Zealand and Australia, and is owned by Rank Group Limited.

The transaction is subject to regulatory approvals.

In a statement, Oji Holdings said, “In recent years, we have been aggressively expanding our overseas businesses, particularly in Southeast Asia and other emerging markets where strong growth for pulp and paper market is expected. We position paperboards and packaging products as our core products and have either acquired or built a total of 21 plants/facilities (including on-going green-field projects) in Southeast Asia and India over the past few years.

“Further, we have been focusing on the forest resources business. We have been operating Pan Pac (plantation forests, lumber-processing and pulp business in New Zealand), CENIBRA (plantation forests and pulp business in Brazil) and a number of other plantation assets in Southeast Asia and Oceania, with an aim to further expand the business in Japan and globally in the near future.”

CHHPP Group’s 3 main businesses are: (1) Pulp - manufactures bleached/unbleached softwood kraft pulp with abundant softwood supplies; (2) Paperboard; and (3) Packaging - produces packaging products in five facilities in New Zealand and Australia, in addition to its paper bag and paper cup businesses.

Oji noted that the acquisition of CHHPP Group would additionally offer access to softwood resources, which could expand Oji’s wood product business in the region and allow for further development and marketing of its advanced materials as well as new materials made from wood.

**SOUTH AMERICA**

**AkzoNobel Opens New Imperatriz Chemical Island in Brazil**

AkzoNobel announced that its new EUR 80 million Imperatriz Chemical Island in Brazil is now operational and has started supplying the Suzano Maranhão Pulp Mill in northern Brazil.

Operated by AkzoNobel’s Pulp and Performance Chemicals business, the state-of-the-art Imperatriz facility represents the company’s second major investment in the Brazilian pulp industry within a two-year time frame. The new plant will supply, store and handle all chemicals for the 1.5 million tons per year pulp mill under an agreement which runs for the next 15 years.

Volnei Hilbert, Industrial Manager at Suzano Papel e Celulose Maranhão noted, “We are working with AkzoNobel since our plant start-up; they have met our expectations and we look forward to developing our strategic partnership in the future.”

AkzoNobel has a well-established pulp and paper chemicals operation in Brazil, where the company already operates the Chemical Island concept at three pulp mills, served by the Eunápolis, Jupiá and Três Lagoas sites respectively. The company also operates production units in Jacareí, Jundiaí, and Rio de Janeiro.

**INDUSTRY SUPPLIER**

**Valmet to Supply Pulp and Board Production Lines to Stora Enso’s New Mill in China**

Valmet will supply Stora Enso with a chemi-mechanical pulp (BCTMP) and a board production line for their new mill site in Beihai, Guangxi Province in China. The board machine will produce high-quality liquid packaging board and folding boxboard grades.

The value of the order is around EUR 115 million.

The BCTMP line will have the capacity to produce 650 tons per day of high quality pulp for liquid packaging board and folding boxboard.

The board machine delivery will include a multi-fourdrinier forming section with hybrid forming unit, press, drying and coating sections, a surface sizing unit, a calender, a reel, two winders and a wide mill engineering package. The delivery will also include related air systems, chemical systems as well as stock preparation and auxiliary systems.

The machine’s annual production capacity will be approximately 450,000 tons of board, Valmet said.

Valmet expects the new lines to be operational in early 2016.
Top Four Trends Driving Demand for Corrugated Packaging

Demand for corrugated packaging material is expected to increase by an average of more than 4% annually over the next five years.

The corrugated segment of the packaging industry is growing rapidly. Demand for corrugated packaging material is expected to increase by an average of more than 4% annually over the next five years, and will amount to almost 115 million tonnes of converted material worth an estimated $176 billion by 2019.

There are a number of issues driving the growing demand for corrugated packaging materials. In this new and exclusive bulletin, Smithers Pira examines the top four trends in the corrugated packaging sector.

1.) Environmental Issues
The development of innovative designs and reductions in paper grammages are being driven by increasingly demanding environmental and sustainability requirements. Producers are making significant investments in environmental protection and energy optimization programs, such as the high pressure boilers installed by Andritz at the Mondi Swiece, Ruzomberok and Frantschah plants, in addition to other activities aimed at reducing water consumption and improving logistics and transportation.

Contrary to public perception, it is probably true to say that most environmental and sustainability investments and initiatives are driven by the need to improve efficiencies and reduce costs, with the resulting good PR simply being a positive spin-off for the marketing team.

2.) Lightweighting vs. Heavyweighting
Average substance weights continue to show reductions as producers look to improve yields as far as possible. This is driven by the need to reduce overall packaging weight and reduce transport costs. Much of the new capacity being brought into the market is focused on lightweight containerboards of 70-160gsm, especially in the new Chinese machines.

The majority of lightweight boards are being used in Western Europe, where finished board weights have been reduced by an average of 5gsm from 2009 to 2012, according to data from FEFCO. An increase in demand for heavyweight boards has seen the average for Eastern Europe increase by 3gsm over the same period.

On the other hand, the industry has seen the introduction of certain new heavyweight products, such as Billerud Flute semi-chemical fluting. Primarily targeted at replacing wooden packaging, this product is also able to replace...
double-walled board with an overall lighter weight single wall substitute. The use of a suitably strong corrugated product as a substitute for wooden packs brings about significant weight reduction which improves logistics and handling, as well as providing a cushioning for sensitive heavy products, creating a more printable outer surface, and circumventing the regulations regarding pest and insect damage in wooden packs.

The heavy duty sector is continuing to show growth, particularly in the chemical and automotive industries, as a result of growing demand as well as the ‘greener’ image of corrugated compared with other materials. As a result of this distinction between light and heavy weighting, these expressions are now being replaced with the expression ‘right-weighting’.

3.) Internet Shopping

Internet shopping as a trend continues to expand rapidly, and is fuelled by the increasing use of smartphones and tech-savvy customers. This represents an opportunity for brand owners to introduce two different packaging types; one geared to traditional store display, featuring high quality graphics; and one designed for internet sale. Amazon has been prolific in this category.

“Internet shopping as a trend continues to expand rapidly and this represents an opportunity for brand owners to introduce two different packaging types; one geared to traditional store display, featuring high quality graphics; and one designed for internet sale. Amazon has been prolific in this category.”

4.) Printing

The fact that internet shopping is reducing the need for high quality printed secondary packs is being offset by the growing demand for RRP (retail ready packaging), point of sale displays and merchandising units. These items are under pressure to provide the shelf appeal and brand exposure that brand owners are looking for.

Therefore, we have seen the introduction of new product lines in the containerboard market, such as Store Enso’s MediaLiner, launched in 2012. These kinds of products provide enhanced graphic properties allowing the reproduction of photorealistic images on RRP and POS (point of sale) applications in particular.

Additionally, the developments of new marketing techniques by tech-savvy brand owners tend to incorporate smartphone apps and QR codes. This provides an opportunity for corrugated converters to work with digital print specialists in order to develop the necessary technologies to meet the demands of this new type of interactive marketing.

To find out more about the future of corrugated packaging, the report can be accessed at Smithers Pira website: www.smitherspira.com.
Domtar Corporation has appointed Michael D. Garcia to the position of President of Domtar Pulp and Paper, effective May 1. Garcia joins Domtar from his role as CEO of Evraz Highveld Steel & Vanadium Company in the Eastern Cape of South Africa. Garcia holds an MBA from Harvard University’s Graduate School of Business Administration and is a graduate of the United States Military Academy in West Point, New York.

Greif announced that David Lloyd has joined the company in a newly established position as Vice President, Corporate Financial Controller. Greif also announced that Chris Luffler has been promoted to the newly created position of Vice President, Business Managerial Controller. Lloyd joins Greif from PricewaterhouseCoopers, where he served as partner for almost 10 years.

Monadnock Paper Mills announced that Mark Buckley has joined the company’s Sales and Marketing team as a Regional Sales Manager. With over 22 years of experience, Buckley comes to Monadnock from Lindenmeyr Munroe.

PaperWorks Industries has named Kevin Kwilinski as President and CEO. Previously, Kwilinski spent more than four years as President and CEO of Portola Packaging in Batavia, Illinois. Prior to Portola, Kwilinski was with Graphic Packaging International where he served in numerous leadership roles. He has an extensive background in operations and engineering positions with GPI, James River, and International Paper.

Stora Enso announced that Rajah Jayendran has been appointed General Manager of the company’s integrated pulp and board mill investment project in Guangxi, Southern China, effective June 1. Currently, Jayendran is Head of Commercialization Processes Asia Pacific based in Singapore at the Linde Group, an industrial gases and engineering company.

Wausau Paper announced that Michael C. Burandt has been appointed Chairman of the Board and Chief Executive Officer. Burandt joined the company as a Director in 2012 and has served as Interim CEO since April 2, 2014. Wausau also announced that Matthew L. Urmanski has been appointed President and Chief Operating Officer. Urmanski joined Wausau Paper Corp. in 2000. During his tenure at Wausau Paper, he has served in a variety of senior management positions. Urmanski joined Wausau Paper Corp. in 2000 and during his tenure served in a variety of senior management positions.

Xerium Technologies announced that Wern-Lirn “Paul” Wang has been named as Xerium – President of Asia. Wang has over 30 years of technical, operational, managerial and executive leadership experience. Most recently he served as CEO of Asia Timber Products.

Henry C. “Hank” Newell, President and CEO of Wausau Paper, on April 2 announced that he would step down as CEO and plans to resign from the company’s Board of Directors after a brief transition period. In addition, Wausau’s Non-Executive Chairman, Thomas J. Howatt, will be retiring from the Board in advance of the company’s 2014 Annual Meeting of Shareholders.

Jouko Karvinen, CEO of Stora Enso, has expressed to Stora’s Board of his desire to retire from his position during 2014. He has served as the company’s CEO for seven years. “Jouko Karvinen initiated discussions with the Board of Directors late last year about his wish to retire from the company during 2014,” said Gunnar Brock, Chairman, Stora Enso. “The Board regrets his decision and Jouko Karvinen will continue as CEO until a successor is found.”
Recovery at Most North American Forest and Paper Producers Continued Through 2013

Financial strength of U.S. producers and product demand are driving large deals.

The recovery of the forest and paper industry continued through 2013 for the majority of North American forest products companies. According to PwC (Canada), total revenues for nine of the largest US forest products companies increased 4.8% relative to 2012, while increases for selected producers in Western Canada and Eastern Canada were up year-over-year by 16% and 6.3%, respectively. Net earnings were also up for the majority of the North American companies in 2013.

However, the story wasn’t as good for forest products companies in the rest of the world, as financial results were generally down in 2013, based on a sample of the larger producers. European producers showed revenues off by 3.8% in 2013 while revenues of Japanese forest products companies were down by 6.9% in 2013. Net earnings were also down in Europe; however, the Japanese producers reported increases in earnings due to cost savings.

Mixed Results Globally in Q1

The financial results for the first quarter (“Q1”) of 2014 for the largest public forest products companies have not all been reported yet, but so far there have been mixed results. The strongest performance was in the U.S. where all nine of the largest companies sampled continued their upward trend in earnings. The downward trend in revenues continued in Europe and Japan in Q1 of 2014, compared with the same period in 2013, although earnings increased in both regions.

Canadian forest products companies generally reported lower revenues and net earnings in Q1 of 2014 vs Q1 of 2013. In Western Canada, while results varied by company, companies that have reported to date show an aggregate decline of 14% in Q1 net earnings, dropping to CAD127.8 million for the quarter. Aggregate revenues were also down by 2%. Eastern Canadian producers reporting thus far have posted an aggregate loss of CAD45.8 million in Q1 of 2014, and revenues for the quarter were down by 1% over the same period last year. Difficult winter building conditions in Eastern regions have been blamed for some of the declines during the quarter.

“One of the big stories in Q1 of 2014 for global forest and paper producers is the remarkable financial performance of the U.S. players, with strong earnings growth in 2013 which continued through the first quarter of 2014,” said Bruce McIntyre, partner and leader of PwC’s forest, paper & packaging practice in Canada. “The aggregate net earnings for nine of the largest U.S. producers this quarter are USD1.28 billion, up a whopping 19% from the same quarter last year. Revenues were also up by 3% over the same period.”

Year of the Big Deal

The aggregate value of mergers & acquisition deals that closed in 2013 more than doubled – from USD4.8 billion in 2012 up to USD10.4 billion in 2013. However, there were fewer deals closed in 2013; 65 compared to 85 in 2012.

“2013 was definitely ‘the year of the big deal’, with the highest aggregate value of deals in the last 5 years,” said Jason Boyer, a Vice President in PwC’s Deals practice. “We believe the drivers for these deals are the availability of debt at low rates, strategic acquisitions to secure fiber supply, and the increase in demand for wood products in the U.S. housing sector and in Asia.”

The deals occurring in the U.S. accounted for USD7.9 billion, or 76% of the 2013 total.

Examples of large deals which closed in 2013 are the sale of Longview Timber to Weyerhaeuser for USD2.7 billion; Georgia-Pacific’s purchase of Buckeye Technologies for USD1.6 billion, and KapStone Paper and Packaging’s purchase of Longview Fibre for USD1.5 billion. In addition, there were a number of large deals announced in 2013 that have not yet closed, including Plum Creek Timber’s acquisition of part of MeadWestvaco for USD1.1 billion.

Boyer added, “The big industry deals aren’t done yet. We believe there will be more large deals in 2014. In fact, just days ago Oji Holdings and Innovation Network Corporation of Japan announced the purchase of Carter Holt Harvey’s pulp and paper business and other related assets in New Zealand. That deal is estimated to be worth close to NZ$1 billion.”

Transformative Global Trends

Along with a return to a more positive financial picture and increased M&A activity in the sector, CEOs at some of the world’s largest public forest and paper companies identified three major trends that are transforming their businesses:

- Technological advances, such as the digital economy, social media, mobile devices and big data.
- Resource scarcity, coupled with climate change and the need to minimize their environmental footprint.
- Demographic shifts, including growth in the emerging markets, urbanization and an aging workforce.

For more information on these and other emerging trends, please visit PwC’s website: www.pwc.com.
Weak Demand and Prices Cloud Outlook for Coated Freesheet Markets in 2014

The coated freesheet market has generally performed better recently than that for groundwood grades but the outlook remains challenging as U.S. demand for all coated printing papers continues to contract. Sluggish demand coupled with competition from lower cost grades led to price discounting beginning in late 2013. While a rebound may occur later this year that could lead to improved pricing, coated freesheet demand is expected to continue to contract, making significant gains difficult. A Verso/NewPage merger could have a major impact on the market including the timing and degree of any recovery.

By Harold M. Cody

2013 was a mixed year for coated paper markets: demand was poor, as consumption contracted, but prices held relatively stable for most of the year. It would have been considerably better if an expected seasonal uptick in demand in the fall had materialized. Unfortunately, the fall printing season for many grades was weaker than expected and consumption contracted. As a result, prices slipped for coated freesheet and other publishing papers as well late starting late in the fourth quarter. The market was also hit with negative news in the form of a 4.3% rate increase by the U.S. Postal Service as it continues to struggle financially as traditional mail continues to be displaced by technology.

North American printing and writing paper demand declined 1.6% in 2013 to 22.3 million tons according to the Pulp and Paper Products Council. Demand for uncoated mechanical grades posted a slight increase but declined for the other three major grades. Demand was down 1.4% for uncoated freesheet, 6.6% for coated groundwood and 2.4% for coated freesheet vs. 2012. Coated freesheet shipments by North American mills were down 2.6% at 3.7 million tons, while imports fell to 933,000 tons, a 1.6% drop. For the year, coated freesheet demand was 4.6 million tons. At year end, coated freesheet inventories were 499,000 tons, up slightly from November levels, but significantly higher than prior year levels.

U.S. coated freesheet shipments, at 3.8 million tons, were similarly off by about 2% from the prior year while imports remained flat at about 750,000 tons. As noted, the market for coated mechanical grades weakened even more substantially, resulting in a drop of U.S. shipments of about 9%, and imports were down as well.

Coated freesheet mill operating rates were only 79% in December 2013 which pulled the rate for the year down to 89%. The lower operating rates reflected sluggish demand and were behind price discounts on coated freesheet web grades that reached $30-$40/ton in late 2013 according to industry sources. The impact of the discounting wasn’t really felt broadly until early 2014 and prices on some grades slid even further and are down almost 10%. Prices on high-end coated freesheet grades remained much steadier as the coated sheet market is holding up better than the market for coated web grades. In particular the lighter weight coated freesheet grades are feeling the pressure from the drop in coated groundwood prices.

Groundwood markets including coated groundwood have been weaker than coated freesheet markets. The major reason for the disparity is that higher quality niche market
magazines and other high end print products that prefer coated freesheet papers have fared better than mass market magazines and inserts which are typically printed on coated and uncoated groundwood grades. It’s reported an additional factor behind weakness in groundwood grades was a subpar catalog printing season last fall.

Early 2014 market data clearly show continued weakness on the demand side — possibly in part a result of the extreme cold weather across much of the U.S. — continues to plague all printing and writing grades. North American printing and writing paper demand in first quarter 2014 is down 3.8% vs. prior year levels. Coated freesheet demand is off by 4.1% while coated mechanical paper demand was lagging by over 6%. Freesheet shipments were off by 2.6%.

On an annualized basis using first quarter data and extrapolating, coated freesheet demand would be about 4.4 million tons in 2014. Operating rates remain sluggish as well, with coated freesheet mills operating at just 87% of capacity in March, which pulled the year to date rate down to 92%.

The impact on demand of higher postal rates is a key consideration this year, but assessing the degree of the impact is difficult and opinions vary widely. Some experts predict only a minimal impact while others decry it will further “kill print.” Certainly some impact will be felt for products such as catalogs and magazines as the increase raises the cost of sending out printed materials and provides further impetus to the use of electronic versions of traditional print products.

The increase in postal rates is certainly expected to have more of an impact on mechanical grades – SC uncoated and coated groundwood – than on coated freesheet papers because it will have a more detrimental impact on magazines and catalogs which are the major groundwood markets. However, continued weakness in pricing for coated groundwood may also shift some coated freesheet users to the lower cost paper if the price differential widens.

U.S. Postal Service mail volume data are an indicator of paper demand and the data clearly parallel the downturn in coated paper demand. For the USPS fiscal year ending in September 2014, first class mail volume in pieces of mail was down 4.2% vs. the prior year at 66.7 billion pieces, with volume 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 large user of printing papers such as coated and uncoated groundwood.

For the USPS first quarter (Oct. 1, 2013 – Dec. 31, 2013) first class piece volume was off by 4.6% and weight was down 2%. Standard mail pieces and weight were down by 2.8% and up 0.1%, respectively, compared to the same period in the prior year.

Developments across the pond are also expected to have a larger than usual impact on the North American coated paper market as a significant amount of coated groundwood capacity will be shut in Europe this year. An estimated 745,000 tons of capacity will be idled as mills try to adjust to a rapid shrinking in demand. In turn, this is likely to reduce U.S. imports from Europe, which run at about one-half million tons per year. A stronger Euro has also had an impact by raising costs in Europe relative to the U.S. Lower imports would reduce supply and could provide some support to flagging prices.

The drop in pricing is also likely to force the shutdown of additional capacity in North America as well. A combination of these reductions and an improvement in demand in the fall due to seasonal factors may support some price recovery during the second half of this year.

However, any forecast of the North American market this year is unusually uncertain because a lot will depend on the outcome of the Verso purchase of NewPage. If the deal goes forward it would create a much larger producer, since Verso and New Page are North America’s top two producers of coated papers. The combined operations would have $4.5 billion in sales and 4 million tons of capacity, including 2.3 million tons of coated freesheet and nearly 2 million tons of coated groundwood capacity, representing just over 50% of the capacity for coated papers.

The merger’s biggest impact would likely be seen in capacity reductions or grade shifts by the combined company. These shifts or reductions could, for example, have a major impact on coated groundwood, where capacity will exceed demand by at least 200,000 tons this year alone if demand continues to contract at the current run rate. The deal continues to run into snags and it’s unclear if it will receive government approval.

With demand expected to continue to decline for coated papers in North America this year, both for groundwood and freesheet grades, the outlook isn’t rosy. However, capacity reductions by Verso/NewPage or other mills would certainly go a long way and will be needed to balance supply and demand. If operating rates can be returned to reasonable levels, producers may have a chance to stabilize pricing later in the year.

Harold Cody is a contributing writer for PaperAge. He can be reached by email at: HCody@paperage.com.
Production and demand are somewhat balanced, deep cost cuts have restored cash flow, and new projects are driven by markets, especially biofuel streams. The downside is the number of large and painful job cuts, nearly 2,000 last year in Finland alone.

However, the optimism is encouraging and overdue. Growth in our sector is a steady 2% in Western Europe and 7% in Russia and Poland. There are new and big investments in pulp/bioenergy, packaging and tissue in the region. Stora Enso and UPM are ramping up their operations in Uruguay and China, UPM is rumored to be looking for something in the USA, and both companies are looking for new fiber sources in Mozambique, southern Africa.

Bio-products
Despite the closure of 1.3 million tpy of pulp capacity at five mills in Europe in the last 15 months, new capacity increases by Sodra (Varo mill) and UPM (Kymi mill) will introduce 1.4 million tpy of pulp onto the market. Not all of this new capacity will go towards making paper. Much of it will be processed for biofuel. RISI estimates that there are 81 biofuel plants in operation, under construction, or planned in Europe, which are based in the forest products sector.

Take UPM for instance. The pulp and paper producer goes by the slogan “the biofore company” with bioenergy now forming 20% of its sales. Currently UPM is building a biorefinery at its Kaukas mill in Lappeenranta, Finland and plans to build another in either Rauma, Finland, or Strasbourg, France.

Metsa Fibre, part of the Metsa group, is planning to build a “bio-product” mill, with 1.3 million tpy of pulp capacity in the existing mill area of Aanekoski at a cost of Euro 1.1 billion. If all goes according to schedule, start-up is expected in 2017. According to the consulting firm Poyry, this is the largest ever investment in the forest industry in Finland. In addition to pulp, the mill will produce bio-energy and bio-materials. CEO, Kari Jordan, said, “Our new mill will be the most efficient and modern bio-product mill in the world. The global increase in the demand for high-quality softwood pulp is the most important driver for the investment.”

As we have witnessed over the last few years, wood has become an increasingly valuable material from which more and more byproducts can be extracted, and venture capital companies in Europe, who are sitting on a pile of cash, are looking to the industry for new ideas and alternative uses from the sustainable woody goldmine.

Newsprint
This grade is still in decline but the rate has slowed possibly due to some Internet publishers introducing “paywalls” (a system that prevents Internet users from accessing webpage
heads up

content without a paid subscription) to the tablet version of newspapers.

Since 2008 newsprint demand has fallen by 3.7 million tpy and production capacity is down by 1.7 million tpy. Norske Skog has been particularly hard hit by the secular decline in demand for newsprint. Its operations in Europe, Australia, New Zealand and Thailand have either been shut or have undergone capacity cuts. Nevertheless, it made a profit of NOK11 million in the first quarter of this year compared to posting a loss in the last quarter of 2013. The company has secured loans from the EU of Euro 600 million to upgrade its mills in Saugbrugs (Norway) and Golbey (France), and it is selling its Walsum mill in Germany.

Packaging Grades
On the other hand, demand remains strong for packaging grades and some mills that produce printing and writing papers are evaluating their assets for the possibility of conversion. Stora Enso, for one, announced that it will convert the Varkaus Mill’s fine paper machine in Finland to produce virgin fiber-based lightweight containerboard. The conversion will start in the fall of 2015 with start-up by the end of the fourth quarter that same year. It will lift the mill’s capacity to about 390,000 tpy of kraftliner and 310,000 tpy of brown unbleached kraft pulp.

Throughout Europe there is a growing demand for this grade supported by improved recovery and recycling legislation, which is driven by the EU.

Conclusion
This time last year I was downbeat in my forecast, but so far this year growth in the European economy, though low, is much improved albeit uneven — northern and eastern Europe (UK, Germany, Poland and Russia) are doing well while Mediterranean Europe struggles. I have to say that it’s been some time since I’ve felt so positive.

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

A World of Railroad Signs and Sign Holders and so much more!

ALDON Company Inc.
Rail safety and track repair products since 1904.
On July 15, 2013, Cascades Inc. announced that Greenpac Mill LLC group had manufactured its first roll of lightweight linerboard at its new, ultra-modern containerboard mill. The Valmet-supplied PM 1 containerboard production line successfully came on stream at the company’s new mill site in Niagara Falls, New York, in the United States.

SAFE, EFFICIENT BOARDMAKING
Valmet delivered a complete linerboard line from headbox to roll handling, including air systems, machine pulpers, a broke collection system and a quality control system. Valmet is additionally assuming full responsibility for mill

Producing high-quality, lightweight containerboard, the Greenpac Mill thrives on the smooth operation of its new PM 1 and relies on outsourced mill maintenance program.

No Lightweight

By Eric Tetreault, Marika Mattila and Anne Paloheimo-Seppänen
maintenance operations for the entire production facilities at Greenpac Mill.

Valmet will also supply PM 1 with board machine clothing in a multi-year agreement.

“The board machine started on time and was producing good-quality product from day one. Valmet provided excellent support for commissioning and start-up to ensure a smooth transition to normal operations. I was very impressed with the overall simplicity and automation of the paper machine, which meant we reached safe, efficient production levels in a short time,” says Murray Hewitt, General Manager of Greenpac Mill.

MULTI-YEAR MILL MAINTENANCE AGREEMENT

Before making the decision of outsourcing mill maintenance, Cascades personnel visited mills in Europe where similar agreements with Valmet have been in place for several years. “We are pleased to collaborate with Valmet in creating a unique world-class operation at our Greenpac site. After visiting a similar world-class site in Europe, we were convinced of the benefits, performance and customer satisfaction of Valmet maintenance operations,” says Marc-André Dépin, President and Chief Executive Officer of Norampac. The outsourcing of maintenance is a first of its kind for Norampac and its partners in North America.

As mentioned above, Valmet is responsible for all maintenance operations at the Greenpac mill. The agreement also includes the establishment of Total Productive Maintenance (TPM) and condition-based maintenance procedures in SAP. The focus is on improving reliability and maximizing availability, as well as safety in every respect. In addition, this six-year agreement included the recruitment of all maintenance personnel prior to the start-up.

“After visiting similar sites in Europe, we became convinced of the benefits of Valmet maintenance operations.”

– Marc-André Dépin, President and CEO of Norampac

CENTRAL LOCATION

The 23,000 m² (250,000 sq. ft.) mill sits on 7.3 hectares (18 acres) of land adjacent to Norampac Industries in Niagara County, which provides a central location and ease of access to the markets in the Northeastern U.S. and Canada. It also has low-cost hydropower and access to quality workforce.
The production speed of the 9.05 meter-wide (356.3 in.) board machine is 915 m/min (3,000 ft/min). The annual production capacity is approximately 486,000 tonnes of linerboard in a basis weight range of 97.6 – 170.9 g/m² (20 – 35 lb/ft²), out of 100% recycled fiber. The state-of-the-art mill has generated 118 jobs in the region and is considered one of the most advanced in its category in North America.

Greenpac Mill was designed for optimal energy efficiency and has many automated operations. The water is treated and reused to reduce consumption as much as possible, and the water treatment system generates gases that are used to produce steam in the dryer section.

Thanks to the mill’s numerous technological advances, the linerboard it manufactures has optimal strength but a lower basis weight, allowing the mill’s customers to better respond to the growing demand for lightweight packaging. Furthermore, the linerboard manufactured by Greenpac Mill has outstanding smoothness, offering better printability qualities.

The new board machine comprises the latest board-making technology from headbox to roll handling. One modern technology highlight is the OptiWin Drum two-drum winder.

Greenpac Mill was designed for optimal energy efficiency and has many automated operations. The water is treated and reused to reduce consumption as much as possible, and the water treatment system generates gases that are used to produce steam in the dryer section.

REACHING ANOTHER LEVEL IN PACKAGING

PM 1 produces high-quality lightweight linerboard from recycled fiber. This broadens the company’s product range into a new area.

“The start-up of this new mill is a proud moment for Cascades. Its state-of-the-art technology will enable us to better meet the needs of our customers,” Dépin noted.

According to Alain Lemaire, Executive Chairman of Cascades’ board of directors, Greenpac is the most important investment in the company’s history. “Thanks to the audacity and leadership of the Norampac team, we are realizing a major project that will take our company to another level in packaging,” Lemaire summarizes.

For further information about the focus of this article, please contact Kimmo Hirvonen, Project Manager, Valmet: kimmo.hirvonen@valmet.com

Greenpac Mill LLC is a Norampac affiliate. Created in 1997, Norampac is the largest containerboard producer in Canada and the sixth largest in North America, with over 4,200 employees. Norampac is a division of Cascades Canada ULC.

Today, Norampac operates several containerboard and boxboard mills, corrugated product plants, folding carton plants and a graphics center in Canada and the United States.

Founded in 1964, Cascades produces, converts and markets packaging and tissue products that are composed mainly of recycled fibers. The company employs more than 12,000 people at over 100 units located in North America and Europe.
A pair of aces.

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:

**CENTER HOLE PLUG**

With an easy-out design preferred by many end-use customers, a crush strength of 2,300 lbs in a HQ5.5 core, and a competitive price, our re-engineered Center Hole plugs are an industry favorite for all grades of paper.

**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 HQ5.5 core.

For more information on standard plug sizes and custom options call us at (603) 654-2311 or visit us online at www.souheganwood.com
Paper industry leaders from around the world met at Paper2014, held March 23-25 in New York City. Through the event’s theme “Exchange Expand Experience,” co-hosts AF&PA and NPTA invited over 750 participants to exchange ideas, expand their knowledge, and experience everything our industry’s annual event has to offer.

Registered participants attended insightful sessions and meetings, while networking with their colleagues.

**Industry Leadership Session**

A panel of distinguished industry leaders provided their unique perspectives on important issues before the paper industry. Panelists included: John Williams, president and CEO of Domtar; John Rooney, president and CEO of Evergreen Packaging, Inc.; Dante Parrini, chairman and CEO of Glatfelter; David McGehee, president of Mac Papers and Mac Envelope Converters; Jack Sanders, president and CEO of Sonoco Products Company; and moderator Donna Harman, AF&PA president and CEO.

The CEOs spoke about their respective companies and addressed growth opportunities for the industry, from energy markets to pulp and tissue products. When asked about future markets, panelists mentioned the aging population around the world and the importance of branding and developing products for different demographic groups.

The CEOs spoke about innovation, both in product development and operational improvement. They noted that it’s risky to rely solely on innovation, but to be successful there must be room for failure and learning from it.

The panelists discussed industry challenges and concurred that the paper and paper-based packaging industry has reinvented itself many times throughout its long history. The CEOs expressed optimism about the industry’s potential to adapt, evolve and make progress.

On the topic of sustainability, the CEOs pointed out that it is still too frequently interchanged with environmental stewardship. They noted that sustainable practices are good common business sense, and companies’ reputations are only as strong as the actions they take every day.

The session was immediately followed by the Paper2014 Reception, which drew a huge crowd of registered attendees, who networked with their colleagues.

**RISI Gloval Paper Market Trends & Forecast Session**

The annual RISI Session featured two of the foremost experts on the future of the paper industry: RISI’s John Maine, vice president of World Graphic Papers and Ken...
Waghorne, vice president of Packaging Products. Maine discussed the global trends regarding graphic papers, and how the global economy will influence demand. Waghorne discussed the domestic demand and outlook for boxboard. The session drew a large audience to hear the industry insights offered.

**PAPER2014 Luncheon**

AF&PA President and CEO Donna Harman highlighted the industry achievement to realize the creation of the Paper Check-off program. She introduced members of the Paper and Paper-based Packaging Board, who would hold their first meeting later that afternoon. The Program will highlight the benefits and sustainability of the paper industry with the objective of maintaining and expanding markets for the industry’s products.

NPTA Chairman and Millcraft President Travis Mlakar presented the 2014 Stanley O. Styles Industry Excellence Award to Don and Max Clampitt of Clampitt Paper Company. The luncheon featured a powerful keynote speech by Alex Sheen, founder of Because I Said I Would, a social movement and nonprofit organization dedicated to bettering humanity through the power of a promise. Sheen spoke about how his father inspired him to develop the business card-sized promise card. Because I Said I Would has distributed over one million cards to 82 countries around the world in the past 18 months.

While Sheen pointed out that a promise can be written on any piece of paper, the demand for the promise cards is high. The cards have motivated people to stick with their commitments, from simple, everyday promises to life-changing ones. Sheen’s remarks capped a successful event by providing human, emotional examples of how paper is playing a role in the commitment of people to making life better.
At the Center of Things

From its founder’s humble beginning in the 1920s making wooden boxes, Souhegan Wood Products today offers a number of engineered wood products, including molded core plugs designed to help protect the industry’s most precious cargo — rolls of paper.

By John O’Brien, Managing Editor

Located in the southern New Hampshire town of Wilton, Souhegan Wood Products has been in business for over 70 years. The company produces a number of molded wood-based products, and importantly for the paper industry, one of those product lines includes core plugs for paper rolls. In addition to plugs, the company also produces belt-winding cores, casket tops and customer-driven custom designed products.

In the early 1920s, the company’s founder, C. Randolph “Randy” Myer didn’t have molded core plugs in mind when he first had the notion to start a business using wood as its primary raw material. He did, however, have knowledge of the wood processing business. After leaving the Massachusetts Institute of Technology (MIT) with a degree in mechanical engineering, Myers worked for The Longbelle Lumber Company in Washington State after college. It was there that he got his first experience in the wood business, along with creative ideas that would serve him well in the future.

“It was all started by my grandfather (Randolph Myer) who was a native of New England and an integral part of the wood industry in the region and even out in Washington State in the first half of the 20th century,” says Randy Dunn, President of Souhegan Wood Products and a 3rd generation of the family to be in the business.

The New England Hurricane of 1938 raged through the area and took down what was estimated to be some two billion trees throughout New England, leaving literally millions of tons of raw timber lying on the ground.

Turning to his experience in the lumber business, Myer bought several sawmills in southern New Hampshire shortly thereafter and his new company, Souhegan Wood Products, began turning the downed trees into lumber which would be shipped by rail to cities and towns around New England. It’s noteworthy to mention that the name “Souhegan” is derived from the nearby Souhegan River, a tributary of the Merrimack River in New Hampshire.

“After the Hurricane of 1938, Souhegan Wood Products started sawing lumber for boxes, other than those used for milk,” Dunn said. “We were making wooden boxes for all sorts of uses and one of the uses that came about as a result of World War II was ammunition boxes.”

According to Dunn, the demand for ammunition boxes in the early- to mid-1940s was tremendous and his grandfather’s lumber company was producing an enormous number of them. In the meantime, a formidable amount of sawdust from the milling process was building up outside the plant and
Myer pondered the same question that had crossed his mind during his tenure at Longbelle; ‘What could the sawdust be used for?’

In the years to follow, Myers finally developed an idea for the sawdust, but it wasn’t a core plug — not yet, anyway. “Towards the late-1940s, my grandfather realized that for every 100 pounds of lumber the company brought in to make boxes, only 50 pounds was used to make the boxes and the remaining 50 pounds, or 50%, ended up in a growing pile of sawdust behind the building,” Dunn explained. “So they decided to do something with it. A gentleman by the name of Bob Caughey, who, like my grandfather, was an MIT man, decided to make particleboard from the sawdust. They made sheets 10 feet long and 2 and a half feet wide, then ripped the sheets to 2 feet and edge-glued them ultrasonically.”

Myer’s particleboard business was a great success and business was booming. But like many high-demand products that come to market, sooner or later everyone wants to get in on the action and before long the large national lumber companies also began producing particleboard.

“The business was tremendous and they made a ton of money up until the big boys decided that particleboard was the thing to do,” Dunn said. “Of course, they also brought economies of scale to its manufacture and my grandfather had to segue into other niche businesses. That’s when paper plugs became very interesting.”

Myer persevered with his idea to create products from sawdust, and as Souhegan Wood Products swung into the 1950’s, he came up with a process to make molded core plugs for paper rolls and also designed the machinery with which to produce them.

“Our first drawings for paper plug machinery date back to the early 1950s,” Dunn noted. “The first time we started making plugs was in 1954.”

Bill Scanlon, who has acted as an advisor to Souhegan Wood Products for 20 years, says there were a number of challenges the company faced when it began making plugs. “Like all the products that we make, the plugs are very price sensitive and we have had to find ways to sell them without incurring major sales costs. One of the issues is: how do you reach all the paper mills in the country and let them know you’re there and what you’ve got to offer to them? From the paper mills’ end of things, the plug is kind of an industrial paper clip; it’s absolutely necessary to protect the product.”

Scanlon pointed out that one of the primary factors driving demand for Souhegan’s plugs is the product’s ability to protect very valuable rolls of paper. “As you know, paper is wound onto rolls and those rolls can easily carry a value in the range of thousands of dollars. Our plugs protect these rolls when being shipped, either in railcars or in trucks.”

Scanlon explained that it’s imperative to the safe delivery of each roll of paper that the plug used in the core maintains its integrity – failure is not an option. “During shipment, if there’s a sudden stop or a bang or a bump in the road causing the plug used in the core to fail, the paper can develop a crack that runs through the entire roll vertically from top to bottom.”

“In addition,” Scanlon continued, “Some plugs on the market can suffer from friability, which is also known as flaking. Our plugs are of the highest quality. We make plugs that do not flake and do not fail.”

Souhegan Wood Product’s CorSaver plugs fly down the production line ready to be shipped to customers.
Scanlon noted that Souhegan’s plugs are made from about 94-95% wood residue, along with binders that keep the product molded together effectively. The recycled hardwood and softwood sawdust is reclaimed from a variety of sources throughout New England.

Souhegan Wood Products offers two different types of high-density, molded wood core plugs engineered specifically for the paper industry: the CorSaver™ Plug, designed for fine coated papers, and the ‘Center Hole’ plug, which is used for all grades of paper. The plugs also come in different sizes.

Kathryn Dunn, the company’s CFO, explained, “Currently, we produce four different 3-inch sizes; three of which being CorSaver style and the other being a Center Hole style plug. Importantly, we are now moving towards making a 4-inch plug which will be up to production in the next couple months. This development is very exciting for us and diversifies what we do in plugs.”

According to the company, its CorSaver plug can withstand three times more pressure than most center hole plugs on the market. In independent testing, the CorSaver plugs withstood a 10,000 lb. crush in a HQ5.5 core. The other style plug, Center Hole, features an easy-out design preferred by many end-use customers and boasts a crush strength of 2,300 lbs. in a HQ5.5 core.

Scanlon said that the difference between the two plug styles is primarily strength. “The more standard plug is the Center Hole plug where the hole is in the center. In our other plug, CorSaver, the hole is moved to the outside of the circle, which makes the plug three times stronger than a Center Hole plug. Keep in mind that you need a hole to extract the plug, but when the hole is on the outside on the perimeter of the circle, it makes it that much stronger.”

From Souhegan Wood Products’ location in southern New Hampshire, the company ships its products around the world. Randy Dunn points out that one of its product lines, Belt-winding Cores, spans the international market.

“We are a major supplier to the conveyor belt industry worldwide. We put out products by extrusion for that industry and we are the largest supplier of those products in the world with extensive shipments to Europe and Asia. This is a sister product line in which we hold a very significant position.”

Kathryn Dunn adds that when it comes to Souhegan’s plug business, it’s mostly in the U.S. with some in Canada. “We can ship any of our products internationally, but freight costs do become a factor when it comes to items that are relatively inexpensive in relation to their weight, such as our plugs.”

Randy Dunn emphasized that the company prides itself on customer service and fast turnaround time for orders. When asked ‘how fast?’ Dunn quipped, ‘What time of day would you be calling?’ He then added, ‘But seriously, up until about 3 p.m. we will ship your order same-day.’

Souhegan Wood Products reiterated that product quality and customer service stand at the forefront of its business. “Ours is the highest quality plug on the market,” Dunn stated. “We make plugs that do not fail, and when you combine that with our excellent customer service and same day shipment, it results in a worry free product for our customers.”

In independent testing, the CorSaver plugs withstood a 10,000 lb. crush in a HQ5.5 core.

A Center Hole plug inserted into the core of a roll of paper protects the integrity of the core, reducing potential damage to the product and loss claims.
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Postal Reform Necessary for Paper Industry

By Donna Harman, President and CEO, AF&PA

With the rise of electronic communication, it’s not a surprise that the U.S. Postal Service is struggling financially. But those who blame the Internet for the Postal Service’s problems are missing the bigger picture. Much of the USPS’ current financial problems are attributable to outsized infrastructure, unreasonable labor cost requirements, and retirement benefits imposed by Congress that are not sustainable. Congress could fix much of these problems through a comprehensive postal reform package, and the American paper industry needs to encourage them to do just that.

Our nation’s paper and printing industry depends on a vital postal service. Approximately one-third of printing and writing paper produced in the United States is delivered through the mail. This represents roughly $6 billion dollars to our industry.

The paper and printing industry is not alone in benefiting from the Postal Service. The entire private sector mailing industry represents $1 trillion dollars to the American economy and employs roughly 8 million Americans. Yet in spite of its economic importance, the Postal Service continues to struggle.

To put the Postal Service’s woes into perspective, the agency lost $354 million in the 1st quarter of Fiscal Year 2014 and many considered that to be good news. Over the past several years, USPS has been losing billions of dollars per quarter. It is encouraging that these losses are getting smaller, but Congress must take action to put the USPS onto a path for long-term sustainability.

To start, any postal reform package must make it easier for the Postal Service to reduce infrastructure and labor costs, as well as eliminate unreasonable financial obligations. Since 2006, mail volume has declined 25 percent, yet the Postal Service still maintains an infrastructure geared toward much higher, and now non-existent, demand. The agency must be given the authority to consolidate its facilities and reduce overhead costs.

In addition, the USPS’ current labor force is too large and expensive for the revenues it is taking in. Congress needs to look at ways for the Postal Service to alter some of its workforce provisions so the agency can cut costs and maintain a sustainable number of employees. It also needs to modernize the Postal Service’s collective bargaining process. This process currently prohibits arbitrators from considering the financial condition of USPS in their decisions, but this is a critical factor that needs to be taken into account.

While some in Congress are taking steps to move forward with reforms like these, others are calling for reforms that would set the Postal Service back and hurt the paper industry. Anyone who has ever run a business knows that when sales are declining, the last thing you do is increase prices and reduce service. Yet in the face of the Postal Service’s decline, some are calling for just that approach.

Increasing postage rates might look at first glance like it would bring in more revenue. However this ignores the many mailers and businesses who would simply quit using the mail altogether if prices continue to rise. As volume leaves the USPS, it results in less potential revenue to the USPS, fewer paper purchases, fewer printed pages, and fewer sales throughout the entire paper-based communication chain. The USPS should be able to encourage innovation and provide incentives for companies to use the mail rather than act as a disincentive to those goals.

Similarly, reducing the number of delivery days would have a similar damaging effect on the mailing industry and the USPS. Many publishers and other companies rely on Saturday mail as a critical way to reach customers. Without it, they will look for alternatives.

Like the Hippocratic Oath taken by doctors, Congress’ first rule should be to do no harm. The paper industry needs to closely watch the debate over postal reform, and support measures that will stabilize the Postal Service – not send it further into a tailspin.
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