INNOVATION & SUSTAINABILITY

BillerudKorsnäs challenges conventional packaging for a sustainable future

COATED FREESHEET

U.S. demand for coated freesheet declined modestly last year, but prices rose modestly in the last few months
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In this issue of PaperAge is a feature story that takes a look at the Swedish paper packaging producer BillerudKorsnäs. The company produces virgin fiber-based packaging grades of paper, i.e. kraft and sack paper, liquid board, carton board, liner, fluting, etc. While gathering the information for the story, the thing that stood out the most was the strong emphasis its CEO, Per Lindberg, and a number of others at BillerudKorsnäs placed on building functionality into paper packaging and creating “smart” fiber-based packaging.

BillerudKorsnäs has some pretty cool products. There’s FiberForm, a highly stretchable, moldable paper; and medical kraft paper that once an object has been inserted into the pack and sealed, and when placed in an autoclave (pressure chamber) allows steam to penetrate and inflate the pack while leaving the contents dry and sterile.

The company produces many more products that fall under the description of smart, active and intelligent, and holds a strong passion for the development of paper-based alternatives to replace the function of plastics in packaging. In addition, BillerudKorsnäs points out that 100% fiber-based packaging is much friendlier to the recycling process, thus contributing to its sustainability.

According to the research firm Freedonia, “Demand for active and intelligent packaging in the U.S. is forecast to expand 8.0 percent annually to $3.5 billion in 2017, well above total packaging demand growth.” For clarity, Freedonia defines active packaging as providing functions such as moisture control, while intelligent packaging incorporates features that indicate status or communicate product changes and other information.

In an interview with Packaging Digest, Malcolm Keif, professor, Graphic Communication Department, California Polytechnic State University-San Luis Obispo, says the sharply growing demand for smart packaging is being driven by a number of factors, one of the most prevalent being packaging appeal to the consumer.

“Packaging professionals are looking for a way to connect with their customers using interactive packaging technologies for a couple of reasons,” Keif says. “First, they are looking to provide greater appeal for their brand at the point of sale. This could be in the form of scannable codes, NFC [near field communication] or printed displays. By creating interesting, innovative packaging, the CPG [consumer packaged goods company] hopes to attract consumer attention among a sea of competitors.

“Second, the CPG wants to understand their customer better. By leveraging mobile technologies, it may be possible to gain critical insight into customer interests and behaviors,” says Keif.

“Third, interactive packaging may add a level of security to address counterfeiting problems with high-value products,” Keif concludes.

I know I’m biased when it comes to paper over plastic, but paper has some intriguing opportunities staring it in the face, not only in the world of packaging, but in grades where it holds the potential become an interactive tool for its users while offering sustainability benefits beyond those of other packaging materials.

The people at BillerudKorsnäs got it right by saying, “Paper and board materials, when developed properly, can have unlimited possibilities.”
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International Paper Finalizes Sale of Carolina Brand to MWV

International Paper in late-April finalized the previously announced sale of the Carolina® coated bristols brand to MeadWestvaco. Carolina is a coated bristols brand used in a variety of applications like greeting cards, book covers and marketing collateral.

IP’s decision to sell the Carolina brand was a result of its plans to convert the Riegelwood North Carolina Mill to 100 percent fluff and softwood pulp production, thereby eliminating the manufacturing capability to produce the brand.

“We recognize that Carolina is a leading brand valued by our merchants, printers, graphic designers and other customers,” said Mike Amick, Senior Vice President, North America Papers & Pulp and Consumer Packaging. “MWV has a long history producing coated bristols for the commercial print market and we view them as a strategic fit to acquire the Carolina brand.”

KapStone Paper and Packaging to Acquire Victory Packaging

KapStone Paper and Packaging and Victory Packaging/Golden State Container jointly announced on May 5 that they signed an agreement for KapStone to acquire the assets of Victory Packaging in a cash-free, debt-free transaction for $615 million in cash, subject to post-closing adjustments.

In addition, two contingent earnouts totaling $45 million could be payable two and a half to four years after the close and are based on the continued strong growth of the business.

Closing of the deal is subject to regulatory review.

The structure of the transaction will enable KapStone to realize a tax benefit that has an estimated net present value of approximately $100 million. Taking this benefit into account, the net purchase is about $515 million.

Founded in 1976, Victory Packaging, headquartered in Houston, Texas, is a large, national distributor of all types of packaging specializing in providing unique solutions for its clients. The company operates 65 distribution centers located in the United States, Mexico and Canada.

Victory’s net sales grew to $953 million and adjusted EBITDA reached $55 million for the year ended December 31, 2014.

“Acquiring Victory will provide KapStone with growth based on Victory’s impressive, profitable track record,” said Roger Stone, Chairman and CEO of Kapstone. “The acquisition will allow KapStone to de-risk operations by providing a higher level of integration. Victory is a unique strategic fit that will simultaneously increases utilization of our converting assets and mills.

“Victory currently buys approximately 370,000 tons of corrugated products annually of which KapStone expects to supply an incremental 115,000 tons. Victory will still rely heavily on their current supplier-base to fill the remainder. Conservatively estimated, these synergies are expected to reach $30 million of EBITDA in 24 months,” Stone said.

Matt Kaplan, President and COO of KapStone, added, “As a previous board member of Victory, I was able to fully gain an appreciation for their abilities to deliver superior services, drive excellent operating performance, and deliver results to the bottom line. Therefore, I am delighted to have the Victory team join KapStone and am looking forward to the significant benefits that the combined companies will achieve.”

Kapstone expects to close the deal in the second quarter of 2015.

Orchids Paper Products to Build New Tissue Mill in South Carolina

Orchids Paper Products announced that its Board of Directors has approved plans to build an integrated manufacturing site in Barnwell, South Carolina. The project will include a tissue paper machine with paper making capacity between 35,000 and 40,000 tons per year and two converting lines with converting capacity between 30,000 and 32,000 tons per year, which are capable of producing value through ultra-premium grades of tissue products.

“This project furthers our vision to become a national supplier of high quality consumer tissue products,” said Jeff Schoen, Orchids’ President and CEO.

Orchids expects that the total cost of the facility to be in the range of $110 to $127 million, which will be deployed over the next two years, with approximately 40% occurring in 2015 and the remainder in 2016 and early 2017.

Groundbreaking is anticipated during the second quarter of this year. Build-out and start-up of the converting lines will come in phases, with the first line expected to become operational at the end of 2015 and the second line to become operational in the second quarter of 2016. Engineering and construction of the paper machine are expected to begin in the second quarter of 2015 and it is expected to become operational in early 2017.
NORTH AMERICA

Wood Fiber Costs in the US Northwest Increased Faster than Other US Regions in 2014

Wood fiber costs for pulp mills in the US South were substantially lower than the costs for pulp companies in the rest of the US in the first quarter of 2015. Prices for softwood residual chips in the Southern states were over 30 percent lower than in the Northeast, Lake States and the Northwest.

According to the latest issue of the North American Wood Fiber Review (NAWFR), pulp log and wood chip prices have held steady in the South for the past 12 months at prices nearing 10-year highs. Sufficient supply of pulp logs and residual chips and steady production levels at the region’s pulp mills have contributed to a healthy fiber supply and demand balance.

With pulp mills generally able to build healthy wood inventories during the first quarter of 2015 and with a number of maintenance outages scheduled for the second quarter, the stage is set for a possible reduction in pulpwood pricing in some southern states in the near future.

Heavy snowfalls across the Northeast, excluding the northern half of Maine, have created challenges for forest access and transportation during the 1Q/2015. Fiber inventories, particularly those of hardwood, remained short resulting in concerns over having sufficient supplies on hand to carry through the spring, when road weight limitations and mud season greatly diminish harvest levels. Pulp log prices in this region were slightly higher in the 1Q/15 as compared the previous quarter, the report said.

Prices for both logs and chips in the Lake States were up to record high levels as obtaining adequate fiber supplies remained a serious challenge in the 1Q/2015. Prices remained high despite the reasonable snow levels and standard temperatures.

In the 1Q/2015, wood chip prices in the US Northwest continued their upward trend that started in late 2013, reaching their highest levels in almost three years. In only the past 12 months, softwood chips prices have gone up 21 percent. With the recent increases, this region had some of the highest wood chip prices in North America.

However, with additional residual chips generated by increased lumber production in the coming months, it is likely that chip prices will decline later in 2015, the report forecast.

AkzoNobel Completes Divestment of Paper Chemicals Business

Continues to hold strong presence in pulp bleaching solutions with Eka brand.

On May 4, AkzoNobel finalized the EUR153 million divestment of its global paper chemicals business to Kemira. The deal was first announced in July 2014.

“This is another important step in our strategy to focus on leading positions in bleaching chemicals, colloidal silica and expandable microspheres,” said Niek Stapel, Managing Director Pulp and Performance Chemicals. “The deal includes an agreement for distribution of colloidal silica to the paper industry and we are looking forward to future growth of this product line.”

AkzoNobel emphasized that it continues to have a strong presence in the pulp industry. “We remain the leading global supplier of bleaching chemicals to the pulp industry,” said Malcolm Williamson, Vice President, Sales and Marketing - Bleaching Chemicals, North America. “AkzoNobel is committed to delivering customized solutions for bleaching pulp, while our world class technology, application know-how, optimized supply chain and global logistics solutions provide our customers with a significant advantage for their operations.”

The Pulp and Performance Chemicals’ portfolio also includes innovative and sustainable products and technologies used in a variety of other applications outside the pulp and paper industry marketed under brands such as Bindzil, Expancel, Kromasil and Levasil.

Midwest Converting Plans New Equipment Purchases, Machinery Upgrades

Midwest Converting announced that it is in the process of evaluating new converting equipment within the year, along with upgrades to existing machinery for its facility in Bedford Park, Illinois.

Midwest currently operates a dedicated 260,000 sq. ft. paper and board converting plant located about two miles from Midway Airport or 20 minutes from downtown Chicago. The plant houses 11 converting machines with a combined capacity of over 5,000+ tons per month, while also offering warehousing and distribution programs.

“As a commitment to our core business in 2015, Midwest Converting has started talking with major machine companies to purchase new converting machinery and upgrade our existing equipment,” said Robert Srebalus, President of Midwest. “These purchases and upgrades will improve our converting services to our customers and allow us to expand into another facility.”
NORTH AMERICA
West Linn Paper Company to Receive Grant to Help Reduce Diesel Emissions

The U.S. Environmental Protection Agency announced a $1.5 million Diesel Emission Reduction Act grant to the Oregon Department of Environmental Quality (DEQ) that ultimately will remove tons of air pollution from diesel-fueled activities at and near the Port of Portland.

Amongst other projects, the EPA-funded grant will assist local companies in replacing 23 heavy-duty short-haul diesel trucks, traveling more than 1.3 million miles in the Portland metro area each year.

West Linn Paper Company will play a significant role in the project as the future owner of at least twelve of the new trucks. The company will take older, less efficient equipment out of use and replace it with new vehicles with improved energy efficiency and more effective filters to remove emissions. The positive impact to the environment will be significant — West Linn Paper anticipates that the project will result in a 20% improvement in fuel economy, and filters capable of removing as much as 90% of the tailpipe emissions.

West Linn Paper Company is an independent manufacturer of coated free-sheet web paper and is the oldest active paper mill and the only coated free-sheet manufacturer in the western United States.

International Paper Opt for Trucked CNG for Ticonderoga Mill

NG Advantage LLC of Colchester, Vermont announced that it has signed a contract with International Paper to deliver compressed natural gas (CNG) to IP’s Ticonderoga paper mill in New York.

NG Advantage said that it will deliver CNG to the mill using its “Virtual Pipeline” which consists of compressor stations located on natural gas pipelines, a fleet of specially designed carbon fiber CNG trailers, and off-loading and monitoring equipment which NG Advantage is installing at the mill. Deliveries began in May.

Initially, IP planned to help finance a project that included the installation of a natural gas pipeline extension from Middlebury, Vermont to the Ticonderoga mill in New York with a portion of the pipeline running under Lake Champlain, which the mill is situated next to. However, the price of the pipeline project climbed too high, and in February IP scrapped the deal and instead opted for CNG to be delivered by truck.

The new supply of natural gas is expected to displace at least 32,000 gallons of fuel oil per day during IP’s contract with NG Advantage. The gas will be used to run the mill’s kiln and power boiler.

Verso President David Paterson to Speak at Paper Industry International Hall of Fame Induction Ceremony

The Paper Industry International Hall of Fame, Inc. (PIIHF) is pleased to announce David J. Paterson, President and CEO of Verso Corporation, will be the keynote speaker at the 21st annual Hall of Fame Induction Ceremony on October 15, 2015. The event will be held at the Radisson Paper Valley Hotel in Appleton, Wisconsin.

The 2015 PIIHF inductees will be selected in May and announced in early June.

The PIIHF recognizes individuals who pioneered and/or helped the world’s paper and allied industries flourish. The Hall of Fame currently has 123 members from 15 countries.

For more information about the dinner or for sponsorship opportunities, please contact Kathleen at the Paper Discovery Center at 920-380-7491. For information about the Paper Industry International Hall of Fame, please visit: www.paperhall.org.

Cascades Invests $25 Million in Candiac and Kingsey Falls Tissue Mills

Cascades Inc. announced the installation of a new state-of-the-art converting line in its Candiac, Quebec tissue mill for the manufacture of high-quality paper towels. In addition, Cascades will upgrade two converting lines in Candiac and Kingsey Falls (Quebec) tissue mill that will also produce high-end tissue products.

The start-up of the new line in Candiac is planned for July 2015, while the improved converting lines are scheduled to begin production in the first quarter of 2016.

“This major investment in Quebec is part of our plan to modernize Cascades’ assets to produce higher quality tissue products more efficiently,” said Jean Jobin, Cascades Tissue Group’s President and COO. “In addition, this investment will allow us to better serve our customers by making us more competitive while opening new market opportunities.”

Cascades said the new converting line will be the Tissue Group’s most productive line with a total annual capacity of approximately 3.5 million cases.
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SOUTH AMERICA

CMPC Starts-up New Pulp Line 2 at Guaiba Mill in Brazil

CMPC Celulose Riograndense announced that the operation of its new production “Line 2” at its pulp mill in Guaiba, Brazil started up on Sunday afternoon, May 3, and that “everything is working as expected.”

Walter Lidio Nunes, President of Celulose Riograndense, said, “[On May 3] we gave the start on Line 2, triggering the processing of the first eucalyptus logs which should result in pulp bales ready for export in about three days.”

“The big white cloud seen from Porto Alegre is water vapor coming from the new evaporation plant, one of the first devices to become active with the start of Line 2 operation,” he added.

The Valmet-supplied evaporation plant, capacity-wise, is the largest in operation in the world. Valmet also supplied the main process islands of the pulp line, including the complete fiberline, pulp drying and baling, evaporation, recovery boiler, causticizing, lime kiln and an integrated automation solution and operator training simulator for all mill process areas. A state-of-the-art non-condensable gas treatment system was also delivered by Valmet.

Nunes said the start-up curve should last less than six months and he estimates that by December of this year pulp production from the new “Line 2” should be 860,000 tonnes, which, when combined with the current production of Line 1, will result in 1.31 million tons in 2015 from the Guaiba pulp mill.

In 2016, the estimated total production capacity of Celulose Riograndense (Line 1 + Line 2) will be 1.75 million tons of bleached eucalyptus pulp. “We will go through the learning curve to reach rated capacity of the new plant. The estimated period for this learning, which includes adjustments and improvements of the production process, is six months, but we, as a goal, shorten the time as much as possible,” Nunes explained.

Production Line 1, which currently produces about 450,000 tpy of hardwood pulp, will continue to operate, but now uses much less water thanks to technological developments that are used in Line 2.

With regard to energy consumption, Nunes said that the mill’s power generation system will gradually ramp up as production increases and generate power in excess of its needs. “Our power generation will be 175 MW, while our consumption will be 141 MW. Hopefully, before the end of the six-month learning curve, we can already provide for public 30 MW, or enough energy to power a city of 300,000 inhabitants.”

Fibria and Klabin Agree to Future Hardwood Pulp Supply Deal

Fibria Celulose and Klabin announced the signing of an agreement that involves the supply of hardwood pulp that will be produced at Klabin’s pulp mill (Puma Project) currently under construction in the city of Ortigueira in the state of Paraná, Brazil. The new mill’s production capacity is designed for 1.5 million tpy of pulp, with 1.1 million of that tonnage being hardwood pulp.

Operational startup of the plant is planned for 2016.

Under the terms of the deal, Fibria or its subsidiaries will purchase a minimum of 900,000 tpy of hardwood pulp, for exclusive sale by Fibria or its subsidiaries in countries outside South America.

The additional volume produced by the new plant will be sold by Klabin as follows: hardwood pulp in Brazil and South America, and softwood pulp and fluff in the global market.

The agreement term is six years, four of which at a minimum volume of 900,000 tons and two years of a gradual reduction of volume (phase-out). The volumes for the fifth and sixth years shall be equivalent to 75% and 50%, respectively, of the volume delivered in the fourth year of the agreement.

In addition, the sales volume proposed in the agreement may be reduced at any time, through prior notification, by up to 250,000 tons for a future possible integration in packaging paper (waiver).

The agreement is subject to approval by the Brazilian antitrust authority, Conselho Administrativo de Defesa Econômica.

EUROPE

Metsä Board to Divest Gohrsmühle Paper Mill in Germany

Metsä Board has agreed to divest 100 percent of its shares in Metsä Board Zanders GmbH, including all related liabilities, to mutares AG and its partner company, Zanders GmbH contains the business operations of Gohrsmühle mill located in Bergisch Gladbach, Germany. mutares AG is a German industrial holding company.

Gohrsmühle was founded in 1829 by Johann Wilhelm Zanders and is known for its select range of high quality and innovative fine papers, especially the premium brand CHROMOLUX. The mill has an annual production capacity of about 325,000 tons of cast coated and label papers. It employs about 480 people.

The divestment would reduce Metsä Board’s annual sales by approximately EUR 90 million and improve operating result by approximately EUR 20 million compared to 2014, the company said in a press release.

Closing of the deal is subject to approval by German regulators, which is expected to take place by the end of May 2015.
EUROPE

Smurfit Kappa Sells Solidboard and Graphicboard Operations in the Netherlands, Belgium, UK

Smurfit Kappa Group in April signed an agreement to sell its Solidboard and Graphicboard operations in the Netherlands, Belgium and the UK to the Aurelius Group.

Financial terms of the deal were not disclosed.

The deal includes two Graphic Board mills, an integrated Solid Board operation consisting of two mills and four converting sites.

Smurfit Kappa said the transaction represents a further progression of the Group’s stated objective to focus on its core business as a leading global producer of paper based packaging solutions and maximize long term returns for shareholders.

Aurelius said that the transaction “fits clearly into its experience in complex corporate carve-out situations and the acquisition of businesses with scope for operational improvement.” Aurelius will support the business, which is currently a top 2 player in both European Solid Board and Graphic Board markets, both financially and operationally.

“The Solid Board operation predominantly serves the food and beverage sector, while Graphic Board is heavier and is used in book covers, jigsaw puzzles and displays,” Aurelius said.

Aurelius noted that it is planning to expand the business’ footprint and optimize its operations, and intends to further strengthen sales of the business by supporting new product development initiative and bringing new products to market.

MWV Completes Sale of European Tobacco Folding Carton Business

MeadWestvaco on April 30 completed the previously announced sale of its European-based tobacco folding carton business to AR Packaging Group AB.

Terms of the sale were not disclosed.

Included in the sale were operations at three facilities in Graz, Austria; Krakow, Poland; and Moscow, Russia, which manufacture and print hinge-lid boxes, display cartons, and high-impact cigarette packaging, as well as folding carton packaging for some chocolate confectionery and consumer apparel segments in western and eastern Europe.

Also included in the sale is the tobacco and confectionery folding carton business currently served by MWV’s plant in Svitavy, Czech Republic. The Svitavy plant will remain part of MWV, and the company will also continue to produce high-quality solid bleached sulfate (SBS) paperboard for global tobacco end markets at its Covington, Virginia, paperboard mill in the United States.

UK’s Tullis Russell Papermakers Ltd. Goes into Administration

Tullis Russell Group on April 27 announced that its papermaking subsidiary, Tullis Russell Papermakers Ltd. had been placed into Administration by its directors.

The Tullis Russell Group’s two other operating subsidiaries, Tullis Russell Security & Speciality Coating, based in Bollington Cheshire and Tullis Russell Image Transfer, based in Ansan South Korea are not unaffected by this measure.

The Markinch, Fife-based paper producer was employee-owned and had been suffering financial losses for a number of years, and the demise of Paperlinx UK, which filed for Administration on April 1 and was the mill’s third largest customer and its most profitable, became the final straw.

Group CEO Chris Parr said, “Since the global recession in 2008, demand across the traditional markets for Papermaker’s products has fallen by 40%, our primary raw material, wood pulp, is now trading at consistently higher price levels than ever before and exchange rates have moved structurally against the business.

Parr said that the Group’s and Papermakers’ boards in October of 2014 agreed to put Papermakers up for sale, but had no takers. “The Group engaged KPMG to run a comprehensive sales process and between October 2014 and March 2015 over 72 trade parties have considered and subsequently rejected the opportunity to acquire the business. This has unfortunately only confirmed that the business is no longer viable,” Parr said.

“This difficult position finally became untenable with the Papermaking company’s third largest and most profitable customer entering into an insolvency process on Monday 1 April 2015. The directors of our Papermaking business were therefore faced with no other option than to place the business into Administration.”

Tullis Russell Papermakers Ltd. was founded in 1809 and since that date has operated from a 100-acre site in Markich, Scotland. The employee-owned company manufactures high quality board for use in the cards, covers and premium packaging sectors.
AUSTRALIA

Australian Paper Opens Paper Recycling and Deinking Facility

Australian Paper at the end of April started up its new $90 million wastepaper recycling and deinking plant located at the company’s Maryvale Mill in Latrobe Valley, Victoria, Australia. The new plant has the capacity to produce about 50,000 tonnes of premium recycled pulp per year.

The mill has started producing recycled copy paper and will soon extend into envelope and printing papers, the company said.

“This plant will take up to 80,000 tonnes of wastepaper out of Australia’s landfill each year,” said Peter Williams, Australian Paper’s COO. “We are committed to meeting the growing demand for premium, local recycled paper.

“The Australian Government has specified that it will purchase 100% recycled papers from 1st July this year and we are hopeful that all Government Departments — Federal and State — will recognize the sustainability advantages of Australian-made 100% recycled paper over imports when making their purchase decisions,” Williams added.

INDUSTRY SUPPLIERS

Kemira Completes Acquisition of AkzoNobel’s Paper Chemicals Business

Kemira on May 4 completed the acquisition of AkzoNobel paper chemicals business. The deal was first announced on July 8, 2014.

The value of the transaction is EUR 153 million and it will become cash-effective in the second quarter of 2015. The acquired business is expected to increase revenue by more than EUR 200 million on an annualized basis as of the completion date.

The deal includes six of the AkzoNobel paper chemicals manufacturing sites and approximately 350 employees that transfer to Kemira. The production sites are located in South Korea, Thailand, Indonesia, Australia, Spain and Italy.

Kemira will also increase the production capacity of its own paper chemical manufacturing sites in order to realize expected production synergies.

“This acquisition strengthens our market position, especially in the growing APAC region,” said Jari Rosendal, President and CEO of Kemira. “It also enables substantial efficiency improvements in our global paper chemicals manufacturing network.

The integration period of the transaction is expected to last approximately two years and result in EUR 15 million net synergies on an annualized basis.

PT Suparma Starts-up New Valmet-supplied Tissue Machine

PT Suparma Tbk’s new tissue line came on stream in Surabaya, Indonesia two days ahead of the schedule, on April 8, according to the machine’s supplier, Valmet.

The Advantage DCT 100 tissue machine increases the company’s production of bathroom tissue, towel and diaper tissue for the Indonesian market by 25,000 tonnes per year.

Valmet’s delivery included a complete high-speed tissue production line featuring an Advantage DCT 100 tissue machine equipped with an OptiFlo headbox, a cast iron Yankee cylinder and an Advantage AirCap Yankee hood.

Valmet has also supplied part of the stock preparation equipment as well as basic engineering, installation services and start-up of the machine.

The new line has a width of 2.75 metres and an operating speed of 1,600 m/min. Raw material is virgin fiber and recycled fiber.

PT SuparmaTbk has the capacity to produce over 200,000 tpy of board, laminated wrapping kraft and tissue paper for the Indonesian market as well as the Asian, Australian and African markets.

Kadant Solutions Introduces New Ceramic Tip Creping Blades

Kadant Solutions announced the launch of its CeraEdge™ creping blade line for use in tissue production. The new creping blade utilizes a thermal spray technology to offer a unique ceramic-tipped blade that provides tissue producers with excellent creping performance in terms of operating life and tissue softness.

The CeraEdge L creping blade is designed for applications requiring extended blade life that maximizes productivity and optimizes asset utilization. For premium tissue producers seeking high tissue softness, the CeraEdge S creping blade is recommended and is suitable for relatively dirty furnish due to its insensitivity to particles and contaminants. The thermal stability of both products reduces blade buckling, twisting, and warping.
By purchasing Ekvall International, Dixie Pulp & Paper can better help our customers meet the challenges of the off-grade paper and board business. John Gross of Ekvall will share his expertise and experience as part of the new, stronger Dixie Pulp & Paper. Dixie currently specializes in SBS/Solid Bleach Sulfate and CCK/Clay Coated Kraft. Joining forces with Ekvall will add CRB/Coated Recycled Board to our mix and allow us to service the needs of our customers more completely. We were fortunate to join forces with Ekvall, whose values and customer-centered focus align with our own.

**Ekvall International is joining forces with Dixie Pulp & Paper.**

We're excited about our new future. It's great on paper and more!
Metsä Fibre Leads the Way with Next-generation Bioproduct Mill

The world’s first next-generation bioproduct plant planned by Metsä Fibre at its Äänekoski site will respond to growing demand for softwood pulp and make far more effective use of by-products.

Planned to come on stream in summer 2017, the new bioproduct plant will have an annual pulp manufacturing capacity of 1.3 million tonnes. In addition to high-quality pulp, the mill will produce bioenergy and various new biomaterials in a resource-efficient way. A unique bioeconomy ecosystem of companies will be built around pulp production.

At approximately 1.1 billion euros, the anticipated facility will be the largest single investment in the history of the Finnish pulp and paper industry, and the largest wood processing plant in the entire northern hemisphere.

“We hope that this project will also encourage other stakeholders to invest in the bioeconomy. We see ourselves as pioneers in this work, providing a much-needed boost in an otherwise gloomy economic climate,” said Niklas von Weymarn, VP, Research at Metsä Fibre.

FREE FROM FOSSIL FUELS

Preparations for the construction of the new bioproduct mill have proceeded as planned. Demolition work on the existing, decommissioned pulp mill in Äänekoski began last October to make room for the new mill. In January, the project was granted an environmental and water-intake permit by the Regional State Administrative Agency for Western and Inland Finland.

Letters of intent were signed for the delivery of the mill’s main equipment in February and for detailed engineering in March.

In April, The Finnish Ministry of Employment and the Economy granted the project a EUR 32.1 million investment subsidy for renewable energy. If the prerequisites for the investment are met, the bioproduct mill investment decision will be made this spring.

The bioproduct mill will be the world’s most energy-efficient pulp mill and the first to operate fully free from fossil fuels. The advanced technologies will also maximize bioenergy production and thus increase the share of renewable energy in Finland by more than two percentage points.

The implementation of new technologies will increase the electricity self-sufficiency of the mill to around 240 percent, meaning that the mill will produce 2.4 times more electricity than it consumes.

INNOVATIVE USE OF BY-PRODUCTS

Sales of pulp manufacturing by-products such as tall oil, turpentine and bioenergy already account for about 10 percent of Metsä Fibre’s turnover. The company expects the proportion...
of revenues from by-products to increase in coming years.

As part of the bioproduct mill project, Metsä Fibre is currently developing a range of potential new bioproducts. The most advanced of these development programs are gasification of bark to provide biofuel for the new plant and the conversion of its odorous gas emissions for manufacturing sulphuric acid.

“Producer gas created by gasifying wood bark will replace the heavy fuel oil currently used in the lime kiln. We are also considering the prospects for making producer gas from sludge produced at the plant,” von Weymarn explained.

Together with its part-owner, the Itochu conglomerate, Metsä Fibre is continuing research launched back in 2009 to develop a new process for manufacturing textile fibres from cellulose. With FA Forest Oy, Metsä Fibre is working to study potential uses for ash created in pulp manufacturing as fertilizer and earth construction material. Metsä Fibre has also explored a development path to use pulp for making various biocomposite materials in partnership with Elastopoli Oy, which has set up a pilot plant to produce innovative composites of cellulose fibre and plastic.

Other progressive plans include refining lignin into bioproducts. This natural wood fibre binding agent is currently recovered in pulp manufacturing for use as a fuel for generating bioenergy.

Development of bioproduct concepts will continue throughout the lifespan of the projected new plant, with a view to introducing new products gradually.

Metsä Fibre is a world-leading producer of softwood pulp and its main brand is Botnia. Its products — sustainably and cost-efficiently produced softwood and birch pulp — are specially developed for the production of high-quality tissue and writing papers, specialty products, and board.

With four pulp mills in Finland, Metsä Fibre employs a total of about 850 people. The company’s sales in 2014 were approximately EUR 1.3 billion. Metsä Fibre is part of Metsä Group. To learn more, please visit: www.metsafibre.com.
Coated Freesheet Market Improves, but Supply/Trade Issues May Impact Gains

U.S. demand for coated freesheet declined modestly last year but the drop wasn’t nearly as severe as the plummet in coated groundwood. The most welcome news is that prices rose modestly in the last few months. However, while demand is expected to be flat or post a modest decline in 2015, further coated freesheet price gains may be subdued by the strong dollar and excess supply via rising imports.

By Harold M. Cody

Overall the coated paper market didn’t do very well in 2014 as demand continued to drop and prices were weak for much of the year before improving during the second half. Coated freesheet demand slipped modestly vs. 2013 levels but fared much better than coated groundwood where demand plummeted. The improvement in pricing is good news, but the outlook is muted for the remainder of 2015. The overall market is expected to follow in line with last year with coated freesheet grades doing better and posting only a modest decline in demand. In contrast, there is concern groundwood demand could continue to suffer.

Without doubt, the biggest news in the coated market recently didn’t involve pricing or supply/demand, but rather a major restructuring on the producer-side that significantly changed the coated paper business. In early 2015, ownership of a large majority of North American coated paper capacity changed significantly. The change was the culmination of a long awaited mega-merger as Verso bought NewPage in a $1.4 billion deal that closed in early-January. The new company has about $3.4 billion in annual sales based on eight mills in six states.

Immediately prior to the deal being finalized, NewPage divested several key assets in order to meet Department of Justice concerns about one company monopolizing the coated paper market. The Biron, Wisconsin and Rumford, Maine mills were sold to Catalyst Paper. The move catapulted Catalyst into the No. 1 spot in coated groundwood capacity with a share of about one third followed by Verso with about 25%. Verso remains the largest coated freesheet producer with almost half of North American capacity, followed by Sappi at about one-third.

The change in ownership was, at least in the short term, likely to have an unsettling effect on prices according to many observers, as mill order books began to reflect the new reality of “who’s who” in coated paper manufacturing. It is also likely to provide producers with an enhanced ability to monitor supply and match it to demand — something coated mills have been very good at in the past. A noteworthy example of this was the large amount of coated groundwood capacity shut in the last couple of years.

As noted above, the long term contraction in graphic paper demand in the developed economies of the world continued in 2014. While U.S. coated freesheet demand continued to contract last year, the decline posted was the
lowest of any of the four major printing and writing grades. Total North American printing and writing paper demand fell 4.1% last year to 21.4 million tons, according to the Pulp and Paper Products Council. Coated freesheet demand contracted by 2.3% vs. 2013 levels, falling to 4.1 million tons. Coated freesheet shipments fell by 2.2% and were 3.4 million tons.

The drop in demand for the other major printing and writing paper segments were even larger. Coated mechanical demand fell by over 5% and uncoated freesheet demand shrank 4.3% vs. 2013. Similarly, European graphic paper demand posted major declines as well. The much larger drop in coated groundwood demand is the result of continued stagnation in demand for these grades in products such as magazines and catalogs, as well as continued market share losses to uncoated SC grades in some applications.

Clearly an improvement in mill margins due to higher prices and lower input costs was the best news last year and/or so far this year. Input costs were down for energy and some chemicals, but in some areas this was offset by higher fiber costs due to the extreme winter. Modest price gains for coated freesheet were posted in the third quarter of 2014 during July for web grades, which account for a significant volume, but they remained below year earlier levels. During the fourth quarter 2014, prices increased modestly as well and bringing them to near the same level as in fourth quarter 2013. Coated freesheet prices continued to gain ground a modest amount during the first five months of 2015.

Looking forward, one key factor that is likely to be important is the impact of the strong dollar on foreign trade. Both the Canadian dollar and the euro have fallen 20-25% since early 2014, and the euro reached its lowest point in several years in early January when it was 1.18 Euro to the U.S. dollar. Coupled with higher prices in North America, European mills are likely to look longingly at exporting more coated groundwood and freesheet. Last year the U.S. imported about 785,000 tons of coated freesheet. Major coated freesheet suppliers to North America include Germany and Finland, while in Asia, South Korea accounts for a large majority of exports.

The bottom line is that a strong dollar makes suppliers in Europe and Canada more competitive in the US market. It has also opened up a huge price gap — reaching nearly $250/ton on some grades — between prices for similar products in Europe and North America. U.S. prices are now some of the highest in the world. Some producers have been trying to raise prices further in the second quarter of 2015, which will exacerbate the disparity between prices in Europe and the USA. It’s likely the opportunity to increase margins on sales of offshore paper in the U.S. will lead to a surge in European imports in 2015.

In turn, if the strong dollar continues, prices could slip later in 2015 and into next year because the large gap between prices in Europe and the U.S. wouldn’t seem to be sustainable.

Another key to watch is coated freesheet capacity. If demand shrinks more than projected, then additional capacity reductions will have to be made in order to avoid prices retreating and giving back their recent hard won gains.

Harold Cody is a contributing writer for PaperAge. He can be reached by email at: HCody@paperage.com
BillerudKorsnäs by name is a relatively new company, but its family tree is rooted in over a century of pulp and papermaking history and experience. The virgin fiber-based packaging maker is the combination of Billerud, whose primary products include kraft and sack papers, liquid board and sulphate pulp; and Korsnäs, a kraft paper and board producer with three paper mills.

The proposal to merge the two companies was first announced on June 19, 2012 by the Swedish investment firm Kinnevik, the owner of Korsnäs. A little over five months later, on Nov. 29, the merger was complete and BillerudKorsnäs was created.

Per Lindberg, who formerly served as President and CEO of Billerud, was named President and CEO of newly formed BillerudKorsnäs and at the time of the merger said the deal simply made sense.

“This transaction really combines two companies that are very successful in their respective niches and yet very similar — operating out of Sweden with a focus on packaging materials and primary fibers — and it’s a combination that makes financial and industrial logic.”

Lindberg also pointed out that each company brought strengths that would allow the combination to move beyond where each had been individually. “There were several motives behind this decision, the leading one being that Korsnäs has a very strong position in consumer products, which reinforces the Group’s position over a business cycle. Both companies were too small individually to invest heavily in innovation and growth, but together we can both speed up the pace of development work and generate growth in markets outside Europe.”

“A QUICK LOOK BACK

Billerud’s roots run back to the 19th century, but its name was “resurrected” in November of 2001 through the merger of AssiDomän’s Skärblacka and Karlsborg paper mills, and Stora Enso’s Gruvön paper mill located in Grums. All three

“Both companies were too small individually to invest heavily in innovation and growth, but together we can both speed up the pace of development work and generate growth in markets outside Europe.” —Per Lindberg, President and CEO of BillerudKorsnäs, commenting on the Nov. 2012 merger of Billerud and Korsnäs.
mills are located in Sweden. The Gruvön mill had previously belonged to the Billerud company.

Over the following years, Billerud expanded both regionally and capacity-wise with the 2004 acquisition of a paper mill in Beetham, UK, which had the capacity to produce 45,000 tpy of kraft and specialty packaging grades. In 2012, Billerud acquired UPM’s sack and kraft paper mills in Pietarsaari and Tervasaari, Finland.

Korsnäs dates back to the 1850s, and got its start when a group of businessmen decided to build a sawmill in Falun, Sweden. They named the business Korsnäs Sägverks Aktiebolag, and along with the mill, built a railway 100 kilometers long as a means to transport their lumber to the port of Gävle.

After some 44 years in Falun, the owners of the Korsnäs sawmill decided to move the entire mill to Gävle. They also wanted to do something productive with the residual sawdust and chips generated from the sawmilling process and in 1910 built a sulphite pulp mill. Five years later the company added a sulphate mill. Then, in 1925, Korsnäs bought its first paper machine and officially entered the papermaking business.

BillerudKorsnäs is investing SEK 900 million in its Frövi and Rockhammar mills. At Frövi, the investment will result in an increase in capacity of cartonboard and liquid packaging board from 450,000 tpy to 550,000 tpy.

Over the next 80 or so years, Korsnäs slowly increased production capacity while making substantial renovations at the Gävle mill. But it wasn’t until 2006 that the company grew beyond Gävle with the acquisitions of AssiDomän Cartonboard AB in Frövi, and the purchase of the Rockhammer mill in 2009.

Today, BillerudKorsnäs is a leading manufacturer of packaging papers produced from virgin fiber. The company emphasizes that its primary drivers are innovation and sustainability, and through innovation comes the creation of functionality in the packaging products it develops, while sustainability sits at the heart of the company’s production process and its future. In 2014, the company sold 2.7 million tonnes of paper and board.

**BUSINESS SEGMENTS**

Internally, BillerudKorsnäs operates under three business areas — Packaging Paper, Consumer Board and Containerboard.

**Packaging Paper** (kraft and sack paper: 1.155 million tpy). Packaging Paper is the company’s biggest and most diversified business area, covering several different segments and product areas. The business in 2014 made up 39% of BillerudKorsnäs’ sales and offers customers technically advanced virgin fiber-based packaging paper, as well as smart solutions in function, design and material choice.

Lindberg said that the Packaging Paper business is actively pursuing markets beyond Europe. “Our sights are set on growth outside Europe as a means of exploiting exciting opportunities in South-East Asia, the Middle East and North Africa, and North and South America. Our new sales offices in the USA and Asia, combined with an interesting and evolving portfolio of brand new system offers, will contribute to continued profitable growth in the business area.”

**Consumer Board** (liquid packaging board, carton board, cup stock: 1.0 million tpy). The Consumer Board business area develops and sells high-quality board made from virgin fiber to several segments, including beverages and consumer goods, while offering customers delivery service and application expertise solutions. The business made up 36% of sales for BillerudKorsnäs in 2014.

“Here again, the growth is greatest outside Europe,” Lindberg noted. “Advanced products, a good understanding of customers and access to strong Nordic fiber allow us to compete globally with products manufactured in Sweden. The strategy up until 2018 is therefore to achieve organic growth in volumes.”

**Containerboard** (fluting and liner: 520,000 tpy). The Containerboard business area offers containerboard made from virgin fiber that meets the rigorous demands on strength, hygiene and printing. BillerudKorsnäs also offers advice on packaging optimization to help brand owners identify the right packaging for items and logistics chains. Containerboard in 2014 made up 15% of BillerudKorsnäs’ sales.

“Containerboard is our smallest business area, and the area that has improved its profitability most over the past few years through a consistent focus on value-based sales,” Lindberg said.

In June of 2014, BillerudKorsnäs earmarked SEK 450 million towards environmental improvements at its Gävle mill. The project is focused on improving the quality of the mills’ outgoing water and reducing energy use.
“We will be sticking to this strategy in order to continue growing the business area.

**AN EYE ON GROWTH MARKETS**

As Lindberg mentioned, Europe remains BillerudKorsnäs’ primary market, but the packaging producer is working aggressively to strengthen its presence in the major growth areas around the world, particularly in Asia.

“Our home market is still Europe. Of course the growth in Europe is small if not non-existent, so we’re looking to expand beyond Europe into Northern Africa, the Middle East, Southeast Asia, including China and also into the United States.

On the idea doing business in the U.S., Lindberg noted, “We believe there are plenty of opportunities for our materials also in the U.S., on a selected basis. We don’t intend to go in massively, with big volumes, and compete with the incumbents, but we want to target specific niches.”

**RECENT INVESTMENTS**

**Frövi/ Rockhammar.** In August of 2014, BillerudKorsnäs announced that it would invest SEK 900 million in its Frövi and Rockhammar mills. At Frövi, the investment will result in an increase in capacity of cartonboard and liquid packaging board from 450,000 tpy to 550,000 tpy. At Rockhammar, which supplies Frövi with CTMP (chemi-thermomechanical pulp) for the production of board grades, capacity will increase up to 150,000 tpy. BillerudKorsnäs expects the increase in production at the mills to be on stream in 2017.

**Skärblacka.** Over a two-year period, SEK 900 million has been invested in environmental and energy improvement measures at the Skärblacka pulp and paper mill. The consumption of external biofuel is down by 80% and fuel oil by 5,000 tonnes, which makes emissions of fossil carbon dioxide 50% lower than before the investment. Emissions of dust from the recovery boiler are also 75% lower, while the working environment has improved and production capacity increased.

According to BillerudKorsnäs, “sights have now been set even higher, with an investment of SEK 260 million in improving quality and increasing production of sack paper.”

**Gävle.** In June of 2014, BillerudKorsnäs earmarked SEK 450 million towards environmental improvements at its Gävle board mill. The project is focused on improving the quality of the mills’ outgoing water and reduce energy use. Product quality will also be improved. The investment covers a new sedimentation pond, refitting of the pulp mill and various measures to reduce waste and water use. The new measures will begin taking effect in 2015.

**CHALLENGING CONVENTIONAL PACKAGING**

Mikael Ankefors PhD, Project Manager, New Business Lab, in a recent video produced by BillerudKorsnäs talks about the development of new packaging products, some of which can communicate with an electronic device or be activated during or after converting. Others are simply designed to be much friendlier to the process of recycling.

“Many of our products are used to package fruit. So we are trying to develop a built-in barrier – a barrier that we can build indirectly into the paper which makes the lamination of plastics unnecessary and, for instance, make recycling more simple,” Ankefors explained.

Ankefors also said that the company is working on “smart” packaging. “One development that we are doing is smarter packaging – packaging that can communicate with its environment. We are also looking into possibilities to produce materials with a built-in function – materials that can be activated by converting it or after converting.”

BillerudKorsnäs continues to develop “smart packaging” which is designed to communicate with an electronic device. BillerudKorsnäs takes pride in pointing out that its mission is to challenge conventional packaging, adding that paper and board materials can have unlimited possibilities. The company continues to develop products like FibreForm®, a paper which forms and stretches, and is also developing a gel-like material extracted from pulp fibers (micro-fibrillated cellulose) that holds the potential to create stronger products.
Reinvent paper performance with Eastman Cyphrex™ microfibers. They deliver superior uniformity, strength and printability — all in a synthetic fiber which processes very much like cellulose. See how you can change performance without changing your process.

EastmanCyphrex.com/TransformingPaper
Of all the things that affect participants in the pulp and paper industry, currency exchange rates is one of the stronger forces but one over which the industry has no control. And because exchange rate cycles usually are quite long — typically 5 to 10 years — we don’t think of them as often as more volatile factors, say paper prices, inventories, and operating rates. But exchange rates have had a deep impact on the shape of today’s pulp and paper industry and they continue to influence the nature of long range investments and even the short-term decisions that are made every day.

Many factors influence when and where pulp and paper mills are built, and one of them is exchange rates. Particularly when the mill’s product is intended for export, exchange rates are a critical determinant for investing in new capacity. In this commentary, we will be looking at the correlation between:

- Exchange rates and investment in pulp capacity
- Exchange rates and investment in paper capacity
- Exchange rates’ affect on profitability
- Exchange rates as a major source of industry risk

Using FisherSolve™ data and analytics, we tracked capacity against exchange rates in a variety of markets.

Just look at the graphs that follow. Each shows the exchange rate of a different country against the US dollar from 1980 through 2014 and compares it to the amount of capacity built in that country in the same years. Exchange rates are plotted in local currency to the US dollar so the higher the exchange rate line, the weaker the currency is against the US dollar. (We chose to compare all currencies to the US dollar because much of the industry’s trade is transacted in US dollars.)

How Exchange Rates Shape the Pulp and Paper Industry

As allocation of capital is perhaps the most important aspect in the management of capital-intensive pulp and paper organization, addressing exchange rate risk has to be one of the principle concerns of planners in every paper company.

By Rod Fisher, President of Fisher International, Inc.
EXCHANGE RATES AND PULP CAPACITY

Pulp is a globally-traded commodity, so it should be no surprise that exchange rates might heavily influence the construction of new capacity in countries with competitive export platforms, i.e. weak currencies. The charts that follow demonstrate this logic.

Notice how closely related the two factors are. Figure 1 shows Brazil’s pulp production plotted against its USD exchange rate. You can see a peak of investment occurred in 2002 when the Brazilian currency was weakest against the US dollar. (Prior to 1994, the Brazilian currency’s value was fixed by the government at artificially low rates which proved to be unsustainable. As it was difficult to measure the true value of the currency during that period, the graph shows the currency value as 0.)

Figure 2 shows the same comparison for Chile’s pulp capacity. Again, the bulk of capacity was built during and right after a period of a weak Chilean peso. Figure 3 shows that Indonesia’s market pulp investments occurred when its currency was rising against the US dollar. The industry got a windfall bonus when the Asian crisis hit about a year later, weakening the Indonesian Rupiah and making the pulp industry’s exports especially competitive. And Figure 4 shows a similar case even more recently in Vietnam, where a weakening currency coincides with investment in pulp capacity.

EXCHANGE RATES AND PAPER CAPACITY

Paper production tends to serve domestic markets and is, therefore, less export-oriented. Nevertheless, every country has a choice of importing paper or making it locally. Large markets that can support world-scale production units and have weak currencies will feel pressure to build paper capacity locally and avoid the cost of importing paper.

The next set of graphs compare exchange rate trends to the investment in all types of capacity, including market pulp, printing and writing, newsprint, packaging, specialties, and tissue. These graphs focus on the two countries with the largest and fastest growth rates for investment in pulp and paper, China and India. The domestic markets of both countries are large enough to support world-scale production units and both have currencies that are relatively weak in historical terms.

Figure 5 shows how the huge increase in China’s capacity started and continues through a period of relative weakness against the US dollar. The Chinese government’s success in managing its currency makes the importation of paper
relatively unattractive and increases incentives to make paper domestically. China’s entrepreneurs have responded with massive investment, mainly in paper production, especially in packaging and printing and writing grades.

The impact of exchange rates in this case seems especially stark: China has invested heavily in an industry that, on average, does not return its cost of capital and for which there is already overcapacity globally. Were China’s currency not as weak as it is, would China be building the paper capacity it is or would it prefer imports to satisfy more of its paper demand?

Figure 6 shows that, like China, the growth of India’s paper production corresponds to the weakening of its currency, suggesting that the country is also investing in import substitution. In India’s case as in China’s, investment is particularly heavy in packaging and printing and writing.

While clearly there are other drivers for investment decisions besides exchange rates — domestic market conditions, global supply-demand balance considerations, global economic growth rates, and other factors are all important — it seems clear that exchange rates can heavily influence decisions on where and when people invest in new capacity with consequences that can ripple through the industry worldwide and over time.

**HOW EXCHANGE RATES AFFECT PROFITABILITY**

Exchange rates have a less apparent impact on the fortunes of paper mills serving their domestic markets. Nevertheless, the effect is important.

On the one hand, exchange rates would appear not to be so important. After all, the cost of exporting paper includes ocean shipping, port charges, and trade tariffs that are not incurred by domestic producers. These costs are significant compared to the cost of producing the paper which means that a mill intending to export has to have especially low production costs to make up for the fact that its local competitors can deliver without those costs. In an industry like paper where margins typically are thin, a penalty such as the cost of exporting would seem to make international trade unlikely.

However, there is another way to see the impact of international trade. Where exports are feasible, they can allow producers to keep their production lines full. And high operating rates are one of the drivers of healthy pricing in any market.

As Fisher’s partner, STE of Finland, demonstrates with its market models, operating rates can be a critical factor
determining the relative power of paper producers and their customers and, therefore, of the prices and margins available to the paper producer. Even relatively small amounts of trade can make the difference between operating rates that support healthy margins and those that do not. An operating rate of a specific percent in one particular important grade, for example, under many circumstances will lead to price increases whereas a few percentage points lower can lead to price decreases. A change in net exports of just a few percent, therefore, can swing operating rates enough to make the difference between better and worse margins. And since paper industry margins typically are thin and profit depends on the leverage of large numbers of tons, even a small increase in price can have a dramatic impact on a company’s margin.

Figure 7 shows that North America kraft linerboard producers have costs that are low enough to allow them to export to most areas in the world, for example, Europe, where produce businesses use large amounts of corrugated packaging but produce less virgin linerboard than recycled. Even relatively small numbers of tons exported to those markets can have a material impact on the operating rates of the North American containerboard industry and, therefore, on profitability.

A MAJOR SOURCE OF INDUSTRY RISK

Where mills are built and when and where profit is made are in part determined by an invisible hand — exchange rates. The amount of capital required for participation in the pulp and paper industry already makes the stakes for investors high. The uncontrollable nature of exchange rate fluctuations increases the industry’s risk compared to many other industries. The unpredictable nature of exchange rate fluctuations makes planning in the paper industry particularly difficult. Together, they may explain some of the industry’s historical difficulty, on average, in earning its cost of capital.

A weakening exchange rate can make investments look attractive and yet the hand that gives can also take away: exchange rates cycles can take back some of their advantages as they did recently in Brazil when the country’s currency appreciated.

The uncontrollable and unpredictable nature of exchange rates together with the fact that they can have significant influence on investing highlights the risky nature of participation in the pulp and paper industry. As allocation of capital is perhaps the most important aspect in the management of capital-intensive pulp and paper organization, addressing exchange rate risk has to be one of the principle concerns of planners in every paper company, even those without multinational operations.

About FisherSolve

FisherSolve is a unique business intelligence platform built by Fisher International for the pulp and paper industry. It supports a wide range of decision making with rich data, powerful analytics, and expert consulting. The data in FisherSolve describes the production, assets, processes, projects, costs, competitiveness, environmental flows, and more of every mill and machine in the world making at least 50 TPD. Tools include powerful analytics and flexible reporting via tables, graphs, cost curves, maps, and more. www.fisher.com.
Executives from virtually every segment of the paper industry’s supply chain came together at the Trump Hotel Chicago, March 15-17, to attend Paper2015. The annual event, co-hosted by AF&PA and NPTA, delivered on the theme “Mapping Our Future” by providing registered participants from across the industry with timely sessions on emerging issues and unparalleled networking opportunities, opening avenues to enhance business partnerships and make new connections.

Throughout the three-day event, official hospitality suites bustled with activity, providing a professional and private environment in which paper mills and suppliers met with their distributors, brokers and end-user customers.

**INDUSTRY LEADERSHIP SESSION**

On Monday afternoon (March 16), the Industry Leadership Session got underway with a distinguished panel of industry leaders representing key segments of the paper industry who provided their perspectives on leadership and future industry opportunities.

Panelists included Mark Gardner, President and CEO of Sappi North America; John Luke, Chairman and CEO of MWV; Travis Mlakar, President of Millcraft; Debabrata Mukherjee, President and CEO of Finch Paper; and Mark Sutton, Chairman and CEO of International Paper. Donna Harman, President and CEO of AF&PA moderated the session.

Panel members discussed future opportunities, including improved performance in products and services, attracting new talent to the workforce, and expanding global markets.

In terms of global business, the CEOs stressed the importance of truly understanding other markets and what their companies can offer those markets.

The CEOs said innovation is driven by the needs of their customers, and that those needs are subject to change. It is important to listen and to embrace change.

The panel acknowledged the importance of sustainability to their individual companies, and commented that providing value to their customers will guarantee their sustainability.

Offering their own leadership advice, the CEOs spoke about the necessity of good listening skills, personal relationships, trust, courage to take risks, and focusing on a few important things.

**PAPER2015 RECEPTION**

The Paper2015 Reception, which immediately followed the Industry Leadership Session, took place in Trump’s Grand Foyer on the 16th floor. The well-attended social provided all registered attendees a chance to unwind a bit in a casual atmosphere and talk with friends and colleagues.

**SPECIAL SESSION: PAPER INDUSTRY INITIATIVES – ROADWAYS TO SUCCESS**

On Tuesday morning, AF&PA President and CEO Donna Harman opened a special session with an overview of AF&PA initiatives that support the industry. Mary Anne Hansan, executive director of the Paper and Packaging Board; Phil Riebel, President of Two Sides North America; and John Runyan, executive director of Consumers for Paper Options, spoke about the initiatives their respective organizations are
taking to inform the marketplace about paper products and helping companies in their business.

**RISI GLOBAL MARKET TRENDS & FORECAST SESSION**

The annual RISI Session attracted a large audience eager to hear expert insights on the future of the industry. Ken Waghorne, vice president of packaging products, discussed the market outlook for paperboard and recovered fiber. Derek Mahlburg, economist, graphic papers, spoke about global trends regarding graphic papers.

**PAPER2015 LUNCHEON**

The Annual Luncheon was held on Tuesday, March 17, in the Trump’s Grand Ballroom. Hilton Maze, President and CEO of Simon Miller Paper & Packaging, and also serves as NPTA’s Chairman, kicked-off the event with an eloquent introduction to the sold-out ballroom before turning over the program to F. Marshall Brown, Executive Director of the Association of Independent Printing Paper Merchants, for the presentation of NPTA’s 2015 Stanley O. Styles Industry Excellence Award.

The Stanley O. Styles Award is NPTA’s highest honor and is awarded to an individual who has had a distinguished career in the printing paper industry. This year, the award was presented to Morris Dennis of Dennis Paper. “With 71 years in the industry, Morris’ accomplishments in the paper industry and as an individual are exemplary and deserving of NPTA’s highest honor,” NPTA stated.

Marshall Brown added, “Morris embodies the American dream and all that is good about our industry. His passion for the paper business still burns strong. What is most remarkable about Morris Dennis is that he started his own company and built it into one of the strongest independent paper merchants in the U.S.”

In his acceptance speech, Mr. Dennis spoke movingly about his life and career in the paper industry.

The luncheon also featured keynote speaker Robert O’Neill, who served as an operator and team leader with the legendary Navy SEAL Team Six. O’Neill discussed how his Navy training taught him how to respond, not react, in stressful situations; keep a sense of perspective when things go wrong; and, above all, “never quit.”

Leading with examples of some of the combat missions he participated in, O’Neill extrapolated advice on success, delegation, communication, and trusting the people you work with.

Not everything was serious, though, and O’Neill sprinkled humor throughout his experiences. At one point during his talk, he noted that his SEAL team completed over 400 combat missions without a team member being injured or killed. He attributed that incredible success to a few different things, but one concept in particular, he said, would surprise people because “people think the stuff we do must be complicated.”

“When I used to define stuff or plan missions, I love the acronym KISS – Keep It Simple, Stupid,” O’Neill said with a wide grin.

O’Neill also emphasized that many of the things he learned in combat training can be easily applied in everyday business, especially people skills and team building. He noted that during his rise to Team Leader, his best bosses instilled in him that, “Nobody ever works for me, they work with me. If we move forward together, success takes care of itself.”

**SAVE THE DATE – PAPER2016**

Editor’s note: Paper2016 will be held in New York City, March 6-8.
PAPER

- **Gould Paper** announced the appointment of **David H. Berkowitz** as President and Chief Executive Officer, effective May 1. Berkowitz succeeds Harry E. Gould, Jr. who served as President and CEO since 1969. Previously, Berkowitz held the position of Executive Vice President and Chief Operating Officer for Gould.

- **International Paper** announced that **Ralph Stagner**, Mill Manager at IP’s containerboard mill in Savannah, Georgia, will retire at the end of the year. **David Castro**, who has served as Mill Manager at IP’s Springfield, Oregon containerboard mill since 2011, will succeed Stagner in Savannah. Stagner will stay on through the end of 2015 to help the transition process of mill leadership.

  Castro has been with IP for over 33 years holding various roles of increasing responsibility in manufacturing at IP’s Mansfield and Red River, Louisiana containerboard mills and the Springfield Mill.

- **Mohawk** has promoted **John P. Macy** to Senior Vice President and Chief Financial Officer. Macy joined Mohawk in 2012 as Vice President, Corporate Treasurer. Prior to that, Macy was audit partner at KPMG LLP for 22 years. He is a licensed Certified Public Accountant. Mohawk also announced that **Bob Smusz** has joined the company as Sales & Marketing Manager, Retail Channel. Smusz previously served as Vice President Operations with xpedx.

- **Wausau Paper** announced the hiring of three industry veterans: **Brian Powers** as Vice President - Sales & Marketing; **John Formon**, as Vice President - Innovation; and **G. Randall Hetland**, as Director of Converting.

- **Södra** announced that **Christer Segersteen** stepped down from his position as Chairman, effective May 19 (Södra’s Annual General Meeting). Segersteen served as Vice Chairman for eighteen years and Chairman for four. He turns 65 this year. In a related move, Södra’s Nomination Committee has proposed **Lena Ek** as new Chairman. Ek has worked politically at municipal, county, national and EU levels, and serves on the Board of the Swedish Centre Party as well as the Party’s Executive Committee.

- **Stora Enso** has appointed **Liisa Nyyssönen** as SVP Communications for the Paper division and Finnish media. Nyyssönen joins Stora Enso from Ahlstrom Corporation where she has worked as Vice President, Group Communications since 2011. She will join Stora Enso in June.

- **Suzano Pulp and Paper** announced that **Michelle Corda** has been appointed to head up its Investor Relations department. Corda takes over for **Tiago Fernandes**, who left the company in late-April.

INDUSTRY SUPPLIER

- **Fisher International** has named **Clay Enos** as Senior Consultant, North America. Prior to joining Fisher, Enos was Manufacturing Manager at Verso Paper.

- **Kadant** has named **Michael J. McKenney** as Vice President and Chief Financial Officer effective June 30, 2015, succeeding **Thomas M. O’Brien**, who is retiring as CFO. McKenney is currently the company’s Vice President, Finance and Chief Accounting Officer, and will be succeeded by **Deborah S. Selwood**, who has been named Vice President and Chief Accounting Officer effective June 30, 2015. Selwood is currently the company’s Corporate Controller.

- **Valmet** announced that **Vesa Simola** has been appointed Area President of Valmet’s EMEA area, effective August 1, 2015. **Hannu Mäkiä**, the current EMEA Area President, will retire in June 2015. Simola joins Valmet from Stora Enso, where he is currently employed as Senior Vice President, Consumer Board Division.
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Transportation Policy Heating Up in DC this Summer

By Donna Harman, President and CEO, AF&PA

Congress is once again facing a self-imposed summer deadline to reauthorize highway construction projects and policies that affect our ability to transport finished goods to customers and receive raw materials in our mills. We hope they do not once again “kick the can down the road” as our nation’s infrastructure is sorely in need of modernization. One important transportation policy for paper and packaging manufacturers is the maximum federal allowable truck weight. Our products tend to be heavy and frequently the truck can “weigh out” before it is full.

Two years ago, Congress adopted a short-term patch by passing the Moving Ahead for Progress in the 21st Century Act (MAP-21). This bill called for the federal U.S. Department of Transportation (DOT) to study the safety and infrastructure impacts of high-productivity trucks (considering both length and weight reforms). The report is expected out any day, and we hope it will be just-in-time delivery for Congress to use the results in a longer-term reauthorization bill.

AF&PA supports making critical improvements to America’s transportation efficiency by safely increasing the maximum gross vehicle weight on federal interstate highways with the addition of a sixth axle and is actively advocating this position on Capitol Hill with many strategic partners.

Truck weight limits have been frozen at 80,000 pounds on the national interstate highway system for over 20 years, and DOT estimates that by 2020 the amount of freight moved throughout the country will increase 87 percent from 2000 levels. Increased diesel costs, higher insurance premiums, and the cost of stricter emissions standards are compounded with each additional load required to move product, and driver hours-of-service regulations and growing highway congestion have created even greater problems. Our nation is facing a transportation shortage and multiple options and upgrades will be required to accommodate the coming surge in increased freight. Making existing trucks more productive by allowing them to be retrofitted to safely carry more weight is part of the answer.

Moving finished product more efficiently isn’t the only reason we and our partners in the Coalition for Transportation Productivity are advocating for higher truck weight limits on interstate highways. Other reasons include:

- There is a shortage of transportation capacity for the forest products industry. Moving raw materials to mills, as well as finished products to customers, is increasingly difficult and costly. Often, our trucks must travel on smaller state roads and through small towns.
- Canadian, European and Mexican competitors all have higher weight limits that reduce their cost of delivery.
- An increase in the maximum allowable weight of six-axle semi-trailers is an effective and safe way to increase truck productivity and America’s freight capacity. Technology improvements and stronger roads and bridges make it safe for each truck to carry more freight.
- Increasing truck weights will reduce congestion, decrease emissions, reduce use of and dependence on fossil fuels, improve highway safety due to fewer vehicle miles traveled, reduce road wear and tear, and improve global competitiveness.

We have many miles to go before we rest on this issue, but with continued advocacy and fact-based information, we believe legislators will see that the road to success for everyone starts with more productively using what we already have and allowing an increase in the federal truck weight limit.

The American Forest & Paper Association (AF&PA) serves to advance a sustainable U.S. pulp, paper, packaging, and wood products manufacturing industry through fact-based public policy and marketplace advocacy. The forest products industry accounts for approximately 4 percent of the total U.S. manufacturing GDP, manufactures approximately $200 billion in products annually, and employs nearly 900,000 men and women. To learn more about AF&PA, please visit: www.afandpa.org.
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