

Transport, Handling, Warehousing and Distribution of Forest Products

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ALL ROADS LEAD TO TARRAGONA! A CLOSE LOOK AT THE TS 23 HOST PORT

Also inside:

**Global pulp producers on a tight
market and challenging logistics**

**How megatrends fire up the
market for pulp**

Picture: Port of Tarragona



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A solution to the road transport crisis?

By SUSANNE HAASE, Editor

Freight traffic in Germany rose significantly once again last year, and is now at a record level – a trend that is mirrored in many other countries around the globe.

In the European Union's most populous country, transport by road is particularly common: 13,000 kilometers of motorway were covered during the past year by more than 3 million HGVs (up 4.1% on 2017) carrying some 3.2 billion tonnes of freight – including almost 170 million tonnes produced by the agricultural, forestry and fishery industries.

But it has long been apparent that things are at breaking point. On busy routes, trucks are often more likely to be at a standstill or crawling along in their designated lanes than being driven at a normal speed. Around logistics hubs like Bremen or Bremerhaven especially, queues of freight vehicles start many kilometers from their final destination of the port. On top of this, large numbers of foreign HGV drivers pass through Germany heading west, east, south or north. Truck parking spaces – where they and domestic drivers could stop to take their mandatory breaks – are in short supply, as can be seen from the fact that many rest areas

and service station entry roads are dangerously full of parked vehicles long before nightfall. It is estimated that up to 30,000 more of these parking spaces are needed. Last but not least, many drivers are hired at lower wages from increasingly distant countries.

Shortly before the end of the year, in a bid to at least somewhat alleviate this dreadful state of affairs, EU member states agreed on new social standards for HGV drivers. These are intended to prevent exploitation of long-distance drivers in the European Union and to protect freight forwarders from unfair competition. However, the package of legislation against wage and social dumping still needs to be discussed in the European Parliament.

The key point is the principle that the same work in the same place should be subject to the same pay, although specific exceptions will continue to apply due to the idiosyncrasies of the transport industry. Border crossings and loading/unloading points are to be automatically monitored with a smart tachograph from 2024 – ten years earlier than previously planned. In addition, HGV drivers will no longer be allowed to spend their

weekly rest periods in their cabs. Cabotage, i.e. transport offered by freight forwarders where the journey takes place in a market outside the EU country in which they are based, is to be limited to a maximum of three such journeys in seven days.

Negotiations between the 28 EU member states were extremely difficult. Western states with high wages and social standards complained of unfair competition from freight forwarders in Eastern Europe who systematically offer services in foreign markets with cheap drivers sent out for weeks at a time. For their part, Eastern European states warned against attempting to cut off western markets. It is, after all, a fundamental rule that anyone in the EU can offer services across the entire single market.

The many pulp manufacturers that the *IFPTA Journal* spoke to during London Pulp Week also mentioned the ever-increasing logistical challenges and complained about the growing unreliability of road freight forwarders.

Nonetheless, it remains to be seen whether the planned legal measures can really remedy the situation.

Frank Burkhardt

Frank Burkhardt
BalTerm employee for 11 years



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INTERESTING PERIOD IN THE INDUSTRY

By ALAN BOG, IFPTA President

We have certainly gone through an interesting period in the industry since our last edition. We have seen a period with takeovers of major producers being concluded, new carriers coming onto the scene and taking contracts, uncertainty on the pulp market, climbing inventories, and even trade wars.

The odd years such as 2019 are very active years for IFPTA, when we hold the Transport

Symposium. This year is TS23 and will be held in Tarragona, Spain, in September. The first one I attended was in Lisbon in 1985, so this will be my 18th Symposium. While the event has certainly changed over the years, the networking opportunities afforded are still as great as they were then.

IFPTA's next outing will be our 'IFPTA on the Road' event during Pulp Week in Vancouver. Once again, we will be at Steamworks Pub from

4 p.m. on Monday, May 6, for an afternoon networking event, with a speaker who we will announce shortly. Details will be published in the near future.

In June we will also be participating in the RISI conference in Shanghai. IFPTA will organize a special session on pulp and paper logistics. This is a first for IFPTA and RISI and we look forward to organizing this event.



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TS23 TO ADDRESS TOPICS OF SPECIAL RELEVANCE

Here we are in Q1 2019. It only seems like yesterday that we were in Savannah for TS22. We are now looking forward to TS23 in September in Tarragona.

Einar Didriksen and I are busy working on the program, building interesting topics and working with the moderators to build quality panels.

We have several themes that have been determined already which we believe to be especially relevant today.

Fuel session: How will the Industry adapt IMO 2020 regulations?

This session will be moderated by Trond Baardsen who is putting together a panel of industry experts to update us on the important issue of low-sulfur fuel. By the time of the symposium they should be able to give us an invaluable insight into the implications both from an operational and economic viewpoint

Managing ageing fleets: How will carriers adapt to future growth?

This session will be moderated by Ana Paula Trilho

- How carriers are positioned to capitalise on the 2021/22 pulp production boom
- Coping with increased transportation distances of pulp
- Will freight rates enable carriers to engage in building programs?
- Assessing the opportunity to seize market share
 - The proposition for new carriers in the field such as Cosco
 - Is this an open invitation to container carriers to strengthen their position?



Alan Bog,
IFPTA President



Einar Didriksen
IFPTA Vice
President

How China is shaping global pulp demand

This session will be moderated by Alan Bog

- Exploring the impact of the RCP import ban into China
- Are container and breakbulk carriers positioned to respond to shifting trade flows?
- Assessing whether this will lead to high pulp prices and increased transportation costs
- Understanding the potential for the Chinese pulp market continuing to mature
- Where are the likely next high growth markets for virgin fibres?

There will also be sessions on digitalization, a special session on the Mediterranean basin and the Middle East, and a session on railways, covering the issues faced by shippers in North America and Europe and analyzing the potential impact of the railway link from Europe to China. We will give you more details of these in the next edition and update on the web site.

Over the course of the next editions of the *IFPTA Journal* leading up to the Symposium, we will have input from the various moderators giving more details of their panels.

We are introducing a novelty after the main sessions. There will be an opportunity to have a round-table discussion with some of the panellists during the lunch break in the exhibition hall.

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"All roads lead to Tarragona", and not just for TS 23

A RICH HISTORY TO ENJOY

By GRAEME RODDEN, CONTRIBUTING EDITOR

When it comes to history, it is unlikely any other Transport Symposium host has been able to match Tarragona's. This Spanish port, about 90 km south of Barcelona (40 minutes by high-speed train), will host TS 23 in September.

History shows that the ancient Greeks first sailed here. The nearby town of Tarraco was the first port. This town also served as the capital for the Roman Empire for two years and it was home to Augustus Caesar. At one point Tarragona was the second largest city in the Roman Empire.

By building a small breakwater outside the city, the Romans built the first commercial port in Tarragona. There are warehouses on the original site.

Tarragona Port Authority chairman Josep Maria Cruset explains how the port grew over the centuries. "Trading began with wine, nuts, olives and dried fruit."

Leap forward to the 1960s and a time which Cruset says was the most important era in the port's development. The petrochemical industry needed a hub in the area and chose Tarragona. It is now the biggest petrochemical cluster in southern Europe. Among the notables that have facilities in the area are: Dow, BASF, St. Gobain, Repsol, Cepsa and Asesa.

Now covering 900 ha with plans for further expansion, Cruset says the port has changed a lot since the petrochemical industry established itself here.

Still, the petrochemical industry accounts for most of the port's activity. Petrochemical products make up 60% of the total activity (20 million tonnes of liquid bulk) and inside that 60%, 75% is imports. "We have the biggest petrochemical cluster in southern Europe. In Tarragona, we produce 50% of the Spanish plastic production and are one of the biggest bitumen production centers in the world," Cruset adds.

The food products sector, particularly ani-



Helicopter view of town and port

All pictures: Port of Tarragona

mal feed, is also important for Tarragona. It accounts for about 20% of trade (95% import).

Another 10% comes from the coal trade. This is used for electrical generation but the port also transships to Andorra by rail and to the Balearic Islands by ship.

General cargo, which includes forest products, makes up 10% of the port's traffic. But, Cruset says, "This is where the newer part of the port is being developed. It is very important to our strategy to push general cargo."

Besides forest products, it includes steel (500,000 tonnes/yr) and tropical fruit (grown in Spain). Cruset further explains the importance of increasing general cargo. "This port is the first in the region and there are a lot of paper mills in the area. They need pulp. We are working with the operators such as Euroports to grow not only for the domestic market, but for the entire Mediterranean region."

The port's container terminal has an annual capacity of 450,000 TEU with a terminal area of

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14.7 ha with an expansion potential to 33 ha. It can handle three vessels simultaneously.

The automotive industry (general cargo) is another important sector for the port. It has five RoRo ramps with storage capacity for 27,000 vehicles.

And, in a throwback to bygone days, the fishing fleet is centered in the oldest part of the port.

With a draught of up to 21 m in some areas (16 m at the Euroports terminal), the port is the deepest in the Mediterranean. Cruset sees Tarragona being able to handle the larger vessels now in service. Incoming pulp can then be transloaded onto short sea carriers for transport to other Mediterranean ports.

Within two years Tarragona will be able to connect with the European rail network. "This will open a new window for our operators to sell their services to other European customers," Cruset adds. "All these plans reflect the strength of the new facilities in which the port is investing."

The port has purchased an inter-modal facility, a "dry port", 60 km from Madrid. "This gives us the opportunity to reach central Spain easily, not just for delivery but to transport goods to the port as well," Cruset says. This provides the port with a second inter-modal link.

This policy of diversity is serving Tarragona well. It is a must, Cruset says. "Like most ports, we must be able to match our facilities with new opportunities."

For example, five years ago, it started exporting livestock (sheep) to Arabian countries. Only one other port in Spain, Cartagena, is allowed to export livestock. Cruset calls it an example of good synergy; Tarragona has a long experience with feedstock.

There are also 96 ha of land near Euroports' new forest products terminal slated for logistics activity. The port was hoping to gain title to the land by the end of 2018. The area will provide logistics support for general cargo such as: a PDI center for automobiles; filling cereal bags from bulk shipments; and, plastics – one of main products from Tarragona's petrochemical plants is plastic pellets.

The expansion continues apace. A new inter-modal center has been developed. The



Some of the warehouses in the older part of the port

La Boella Terminal is adjacent to the container terminal and the chemical industry zone. It is served by four mixed gauge rail lines that can handle train lengths up to 750 m.

On the chemical side, it doubled the size of the quays serving the chemical industry from 18 to 36 ha, at a cost of Euro 76 million. Finished in 2014, it is now 90% full.

As noted Euroports has a new terminal for forest products and this trade has grown by 50% over the past four years.

The port will be expanding south, extend-

ing its breakwater and building new wharves. Expansion next to the coal terminal is also in the works, in the next 8-10 years.

Although Barcelona is the main cruise destination, within the past five years, Tarragona has become a port of call and 100,000 visitors were welcomed in 2018 and a new cruise terminal is being built.

Talking about TS 23, Cruset says delegates will see "great facilities for industry" and a well-balanced mix of activity. "We are a very competitive and flexible port with the facilities we have now and are planning to build in the future."

The rise of the pulp business in the port and the story of Euroports in Tarragona are closely intertwined.

The company can trace its history in Tarragona more than 10 years. However, a predecessor company, TPS, had operated here more than 30 years prior to that. It was owned by three families in the region and dealt with many commodities. Acquired by BBI in 2007, the financial crisis of 2008 drove it into bankruptcy. It was then acquired by Euroports.

Pablo Garcia is managing director for Euroports Ibérica. Although well known for its forest products operations, Garcia says that the company stands on "four legs" at Tarragona. These are:

- Minerals, more than three million tonnes annually;
- Agri-food such as cereals and soy, 600,000 tonnes/yr;



The older part of the port is now a popular public area

- Miscellaneous cargo: steel, fertilizer, recycling products such as glass, plastics and scrap metal, a growing business, says Garcia;
- Forest products, 650,000 tonnes/yr, more than 100 vessel visits.

The forest products business is mostly pulp related. Euroports receives pulp from North and South America as well as the Nordic region. Most is destined for domestic use while about 150,000 tonnes are reloaded onto short sea vessels for delivery to the Mediterranean region.

The overwhelming majority of the forest products business is imports. However, Garcia says that they do handle about 50,000 tonnes/yr of biomass meant for energy generation in Italy. There are one or two shipments monthly. "We



Most of the forest products business in the port is imported pulp



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are trying to develop a business with China but for China it (biomass) will be for pulp production and, they want a lot.”

Garcia plays up Tarragona’s location. “The Spanish industrial area is centered around the Mediterranean corridor in the east and the Ebro corridor in the north. All roads lead to Tarragona. It’s our edge logistically, being at the border of both corridors. It’s also where most of the paper mills are located.”

The company also has an inland logistics center near Madrid. Euroports can deliver pulp by truck directly to mills or by train to the inland distribution center and then by truck to the mills.

As the port has grown, so has Euroports. Garcia explains that the company started its pulp operations in Tarragona in 2007 but as a joint venture with another firm. It ended the jv in 2010 and took a new concession (Cantabria Terminal) in an undeveloped area of the port.

It built two warehouses in 2011, a third in 2015 and just opened a fourth in 2018. Plans call for two more, one to be built in 2019 and one in 2021. “The business is still growing,” Garcia adds. “So we needed, and still need, expansion.”

Garcia notes that paper mills, particularly board and tissue are growing. Italian tissue producers Sofidel and Lucart are establishing a presence in Spain. Therefore, he adds, more pulp will be needed.

Pulp and paper shipments at Euroports’ terminal



He says that most of the pulp is shipped break-bulk with very few containers except for some specialized grades. Garcia says that Euroports is trying to develop the paper trade but that it is a containerization issue with price being a concern.

Euroports now features 50,000 m² of open storage area and with the opening of the fourth warehouse, 80,000 m² of covered space, all directly adjacent to the 290-m quay. With a 16.5-m draught (no variation), vessels of up to 70,000 tonnes can be accommodated.

There is a train facility in the terminal (Iberian and European gauge). The port has been included in the European rail freight corridors so it will have a key role in the future European Railway Freight Map.

“Our ambition is to do with pulp in the Mediterranean what Flushing is for northern Europe,” Garcia says. He adds that the three main ports of call in the region are Tarragona,

Livorno in Italy and Monfalcone in the Adriatic.

Euroports is working with Tarragona port management to advance the port’s development as a forest products hub terminal. This is where hosting TS 23 will help. Garcia explains that the port is known for liquid bulk, car, agri-products and petrochemicals so forest products have not been on the radar. “We pushed TS 23 to them to show it would be a good opportunity and really put it on the map of forest products terminals. If it’s good for the port, it’s good for and vice versa. It’s a win-win situation.”

He adds that a trip to Savannah in 2017 to visit TS 22 was an eye opener for port management.

Garcia says that TS 23 will be the perfect opportunity to meet the most important stakeholders in the industry: shippers (rail, truck, water), operators, producers, ports, logistics service providers. “This is the only logistics conference solely for forest products. And, we have a great venue.”

TS 23 and Tarragona: A trip well worth making

Tarragona is a UNESCO World Heritage Site for its Roman architectural monuments and ruins, not to mention its fine cuisine.

TS 23 will be held at the Port Aventura Convention Centre, just south of Tarragona. It boasts more than 2,000 hotel rooms in various hotels on site. It also features a theme park, Ferrari Land and golf courses.

From Barcelona, it is less than hour on the high-speed train while the high-speed train from Madrid takes 2.5 hours.

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Traditional pulp customers will be joined by newcomers in the years to come

MEGATRENDS FIRE UP THE MARKET FOR PULP

By SUSANNE HAASE, EDITOR

One of the most important dates in the international pulp industry calendar is London Pulp Week (LPW), which takes place in mid-November annually in Britain's capital and traditionally culminates with the Hawkins Wright Symposium.

Thanks to the continued upward trend in their prices, pulp manufacturers in particular were once again buoyant just over two months ago – with some customers even talking about a degree of arrogance among sellers.

This event, hosted by the British Wood Pulp Association (BWPA) in cooperation with industry analysts from consultancy firm Hawkins Wright, also reflected the dynamic nature of the industry. Some 330 participants from 32 countries met in the grand IET (Institution of Engineering and Technology) building – and enjoyed a sunny morning's splendid view of the Thames and the imposing London Eye.

330 PARTICIPANTS FROM 32 COUNTRIES

The first three days had seen countless meetings take place between buyers and sellers, so many of the symposium attendees came across familiar faces. As usual, the event boasted consistently interesting talks and excellent networking opportunities, bringing together as it does, every pulp producer, trader and processor from around the globe.

The BWPA was founded 120 years ago to promote good relations between pulp manufacturers and paper mills. But while the United Kingdom had 215 production facilities manufacturing paper in the 1950s, now, there is just a handful so the British association moved with the times and turned the domestic industry gathering into an international event which has long since become a must attend event for any-



Nina Elmersson, vice president, strategy & projects, Ekman & Co in Gothenburg

Paul Foulkes-Arellano, packaging designer and chairman, Plastic Planet



one working in this sector.

ON THE EVE OF BREXIT

Although at the time of the symposium – just a few months before Brexit – Britain still had no apparent political plan for after its withdrawal from the European Union, it seemed clear to those in the pulp industry that they would be continuing to jet off to London in November. The hotels, the restaurants and the short distances were among the reasons given – everything is familiar and well-liked, many said, and should stay that way as far as possible.

The growing popularity of the September pulp convention established in Barcelona (Spain) by Europulp/Utupulp is unlikely to change things. People talking to *IFPTA Journal* described the two events as complementary rather than competitive with each other: Barcelona is for exploring and London for finalizing, they said.

Speakers at the 2018 Hawkins Wright Symposium included Liam Halligan, economist, author and newspaper/TV columnist; Markus Mannström, responsible for the Biomaterials business unit as executive vice president at Stora Enso; Nina Elmersson, who works as vice president, strategy & projects, at Ekman & Co., a more than 300-year-old Swedish trading house focussed on wood-based products; Paul Foulkes-Arellano of Plastic Planet, an NGO running a very successful campaign to promote the use of supermarket packaging which is not made from mineral-oil-based materials; and Marco Eikelenboom, vice president, sales & marketing graphics, Sappi Europe. Tom Wright, managing director of Hawkins Wright, closed the program as usual by presenting an outlook for the development of the market pulp trade.

All pictures: SHA

NEW CUSTOMERS IN SIGHT

From the perspective of industry representatives, the talks by Halligan, Mannström, Eikelenboom and Wright were of particular interest, but the presentations by Foulkes-Arellano and by Nina Elmersson, who showcased the “Challenge the Fabric” project and brought on stage models dressed in artificial-silk couture, were notable for highlighting that the future will see the demand for pulp rising not in sectors that traditionally process this raw material, but in other markets such as fashion and packaging. Elmersson has set her sights on bringing designers and members of the fashion industry around to the benefits of viscose and helping to improve the image of this cellulose fibre.

There is growing demand in both areas – clothing and food-industry packaging – for the use of natural and sustainable materials. This is likely to further increase pressure on the already tight pulp market, which also is not poised to bring additional production capacity on stream in the coming years.

MARKET UNDER PRESSURE

Halligan, who has recently published a book in which he describes how Britain could make a success out of leaving the EU, focussed his talk not on Brexit, but on topics he considers “far more important”. These included “quantitative easing” (monetary intervention by central banks in the form of bond purchasing), the trade war that US president Donald Trump is waging with China, the price of oil, the Eurozone, and emerging markets. In Halligan’s opinion, out of all these problem areas, the darkest clouds are hanging over the Eurozone: “Globally, the Eurozone poses the greatest systemic risk,” he said.

The presentation by Stora Enso’s Mannström, by contrast, made a good impression with positive and tangible points as he underlined how successful the company has been in positioning itself for the future. Today the Scandinavian manufacturer is split into five divisions and is worth €10 billion. The catalyst for this transformation over less than a decade was, he said, a strong commitment to research and development, which in turn drives innovation.



Economist Liam Halligan (left), Tom Wright, managing director, Hawkins Wright and Markus Mannström, executive vice president, Stora Enso Biomaterials

Stora Enso currently produces 5.9 million tonnes of pulp, 38% of which is sold on the free market. By 2020, the proportion of softwood pulp is expected to reduce from 37 to 17%, while proportions are set to increase from 12 to 19% for fluff and from 7 to 20% for dissolving pulp. The thinking behind these strategic steps: “Just

imagine what it would mean if we could use microfibrillated cellulose in nappies instead of SAP (*Ed. note: superabsorbent polymers*),” said Mannström, who remarked generally: “The megatrends are good for our products!”

COMEBACK OF GRAPHIC PAPER

Eikelenboom from Sappi also brought good news and spoke about the “comeback of graphic paper”. In his view, paper manufacture is an important part of the business and will remain so. Printing paper currently makes up 61% of sales in his company, he said, citing revenue of €338 million for this line of business last year.

Cost leadership when it comes to production is apparently a crucial factor here as is access to pulp. Therefore, according to Eikelenboom, Sappi plans to increase integrated pulp production “so that we will be less at the mercy of external fluctuations such as those we have experienced in the last two years”.

Impressions from London Pulp Week suggest that in the intermediate future, having an option like this will be a luxury.



Glenn Faxhag Raymond, forestry inspector at Södra demonstrated the use of drones

There are varying views but all agree that it is a good time to be a producer

SEVEN GLOBAL PULP PRODUCERS OPEN UP

By SUSANNE HAASE, Editor

During London Pulp Week in November, *IPFTA Journal* met with representatives from Mercer International, Södra Cell, UPM Pulp, Stora Enso, SCA, Heinzel Group and Metsä Fibre to discuss the dynamics of the pulp market, ongoing investment projects and the industry's efforts to make logistics more efficient and sustainable.

MERCER

"Fibre availability is the big issue!"

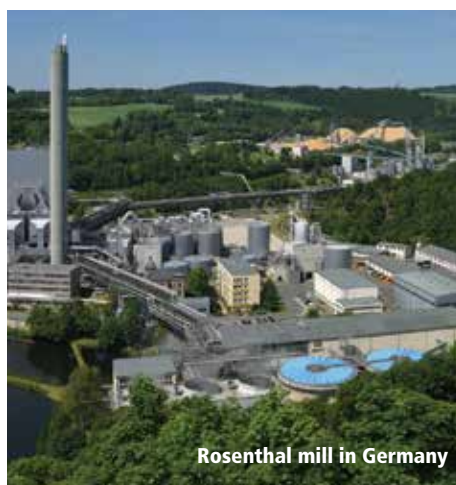
For Nils Hegerding, Vice President Pulp Sales and Marketing Europe at Mercer International, fibre availability is a big issue, as well as challenges in logistics

IFPTA Journal: Could you please start by listing your production plants and their capacities?

Hegerding: Mercer manufactures 670,000 and 360,000 tonnes/yr of NBSK (*Ed. note:* north-



Nils Hegerding, Vice President Pulp Sales and Marketing Europe at Mercer International
Bild Mercer



Rosenthal mill in Germany

Pictures: Mercer International

ern bleached softwood kraft) respectively at the Stendal and Rosenthal production facilities in Germany. The Celgar mill in the Canadian town of Castlegar has an annual NBSK output of 500,000 tonnes, and our sawmill in Friesau – one of Germany's largest, which we acquired in April 2017 – can produce 1.3 million m³ of timber.

What markets are served by each facility?

There has been little change here: Rosenthal supplies Europe; Stendal caters to European and overseas markets (particularly Asia); Celgar delivers pulp to Asia and North America. Germany is especially important to us, given that our Stendal and Rosenthal mills are located in the heart of Europe's biggest market. What is remarkable about the German market is the prevalence of great innovative strength; many businesses also have state-of-the-art equipment and are in a financial position to be long-term partners. There is increasing emphasis on the "buy local" approach among our customers, too, which makes us attractive as a domestic supplier.

To what extent was 2018 marked by logistical challenges?

Ninety percent of the output from our Rosenthal mill is shipped by rail. Stendal also has a high rate of rail use and this is rising. As a result, low water levels in rivers like the Rhine had less of a direct impact on us, although indirectly they further exacerbated the difficult trucking situation. Freight costs have already gone up. New restrictions are also reducing HGV driver availability, and far fewer people have an HGV license in the first place – besides which, there are other opportunities on the job market.

Did the long, hot summer affect the availability of wood?

Wood availability was no problem. What we are worried about, however, is the spread of the spruce bark beetle in Northern Europe although at the moment it is very difficult to predict how the situation will turn out.

Some pulp customers have reported difficulties with supply.

At our German mills, our focus is primarily on Europe. This is why we pulled out of China from late 2017 to September 2018, so that we could support our customers here where the market was undersupplied. This decision, despite significantly higher prices in Asia, is one that we made consciously as an investment in our European customers and also in the knowledge that our Asian customers could be served by our Celgar mill. But overall the situation was very tight, and deliveries were often hand-to-mouth.

Can you give us your forecast for the market in 2019?

We expect the European market in 2019 to be very balanced. Based on the way that con-

tract negotiations are progressing, almost all customers will sign more than in the past – and that applies not only to 2019, but also 2020. Our customers want to be covered for 2020 on the volume side.

Numerous unforeseen events led to the limited availability of pulp this year, and at the same time demand was higher than predicted. The market will be structurally tight over the next two years due to the lack of any significant new volume coming onto the market. If anything, the transition to dissolving pulp will actually take volume off the market. Meanwhile, the global demand for pulp continues to grow. In other words, fiber availability is the big issue! And it is becoming increasingly difficult to get around this problem.

What trends will grip the industry? Will digital technologies play a more prominent role?

I think so. For example, we are working hard on an RFID project which we plan to implement in 2019. The impetus for this is the desire to offer an even better service and provide customers with technical data in real time, allowing pulp to be used more selectively. The goal is complete traceability, because the bale of pulp used for a given reel of paper can be of great importance to the customer. This is a major step towards Industry 4.0.

Mercer recently bought Daishowa-Marubeni International, with two pulp mills in Canada. What is the current situation here, and how will this acquisition change the company's positioning?

The acquisition includes the Peace River mill in Alberta (475,000 tonnes/yr), and a 50/50 joint venture with West Fraser: the Cariboo mill in British Columbia. The purchase will open up interesting opportunities for us to offer a complementary fiber in the form of aspen short-fibre pulp, and of course for us to further strengthen our long-fibre segment position, particularly in Asia and in North America.

HEINZEL GROUP Good utilization in 2019

Dr Kurt Maier, CEO of the Heinz Group discussed the company's pulp and pulp marketing activities.

Could you please start by listing your pulp production plants, their capacities and their product grades?

Maier: Zellstoff Pöls AG in Austria produces 460,000 tonnes/yr of NBSK and AS Estonian Cell in Estonia manufactures 180,000 tonnes/yr of BCTMP (bleached chemi-thermomechanical pulp).

What markets and customers do these two facilities serve?

Pulp from Zellstoff Pöls goes to Central Eu-



Dr. Kurt Maier, CEO Heinz Group

Heinz pulp production



rope, Southern Europe and North Africa. AS Estonian Cell supplies Europe and Asia.

In your view, what sets your company apart from the competition as a market pulp manufacturer?

With regard to Zellstoff Pöls, the geographical location is undoubtedly an advantage as it means we are close to our customers. AS Estonian Cell is the only BCTMP mill in Estonia. Both of the mills and our customers benefit from our combined sales network, Heinz Sales.

How is pulp transportation organized in each case?

Every facility has its own logistics system with carriers providing freight services by road, rail or water. We have also set up intermediate storage at major ports and transport hubs.

To what extent have you already contractually agreed on pulp deliveries and volumes for 2019?

Both mills have very well-filled books even now, so we can expect a good rate of utilization in 2019.

Going forward, how do you see the pulp price developing?

The pricing level we are at is good, and we currently see no indication that this will change, especially as no new pulp capacities have been announced.

What trends are you generally observing in the pulp market?

The declining graphic sector is more than offset by annually increasing growth in the tissue segment. The rising demand for packaging paper is also increasing the percentage of fresh fibre used.

UPM PULP "Our customers profit from our expertise"

With Lajos Eric Forster, Marketing Director at UPM Pulp, topics such as the ever-increasing importance of sustainability and the birch revival were addressed.

Could you please start by listing your various production plants for us, and their capacities?

Forster: UPM operates a total of four pulp mills with a combined annual capacity of 3.7 million tonnes. In Uruguay, we manufacture 1.3 million tonnes/yr of eucalyptus pulp. Our three Finnish mills produce birch and long-fibre pulp; altogether this comes to 2.4 million tonnes/yr: 870,000 tonnes in Kymi, 800,000 tonnes in Pietarsaari and 770,000 tonnes in Kaukas. Our boutique fluff mill in Finland also has the capacity to produce 150,000 tonnes/yr of fluff pulp for speciality applications.

What markets are particularly important for you?

Our main markets are Asia and Europe, but we are also active in others that we have identified as growth markets.

What do you see as your advantage over the competition?

Our key edge lies in our extensive portfolio of birch, eucalyptus and long-fibre pulp products, allowing our customers to find the perfect pulp mix for their application – something we



Lajos Eric Forster, Director, Marketing at UPM Pulp



Pictures: UPM

are happy to assist with – and so optimize their formula. This is a significant benefit that is not ed and in demand.

As an integrated company, UPM is not only a specialist in pulp production. In fact, we are involved in the entire value chain from forest management, timber and paper to labels, sustainable fuel and biochemicals. This makes us pioneers in the circular economy, which we have been practising successfully for years. Our customers profit from this expertise.

Our company has also been recognized as a trailblazer in matters of sustainability. This is an issue on everyone's lips, and we are constantly stepping up our targets. One of the visible results of our efforts is to have been listed on the Dow Jones sustainability index for several years now, most of that time as a global leader in the paper and forestry products sector.

On a related note, you have also started the UPM Pulp School. What is behind this?

The format is about giving our customers and their customers a feel for how pulp is manufactured. The experience of planting a tree and learning about the importance of forests to our ecosystem helps foster an understanding of sustainability in our industry. Naturally, we demonstrate all the things that are made from trees – timber, pulp, paper, energy, fuel, etc. – and in doing so, answer every question that anyone might have on the subject of sustainability in pulp production.

How many customers have already taken part?

We started the UPM Pulp School three years ago, and so far around 20 companies have participated. Some of them have come back more than once. There are students and brand-name product manufacturers among our attendees, too. The positive response proves that this is a highly relevant subject.

The use of birch pulp seems to be experiencing something of a renaissance. What are the reasons for this?

We invested around EUR 380 million in our pulp mills between 2014 and 2018, improving their output as well as the quality of our pulps. This increased capacity by 500,000 tonnes/yr, much of which is birch pulp. This pulp is popular with our customers due to its high strength and excellent grindability. Typical applications are speciality paper, packaging paper and tissue paper.

While birch pulp has a history in Northern Europe especially, we are breaking new ground in Asia. We have been very successful in optimizing formulas to our customers' advantage, most of all when it comes to speciality papers. At the same time, we can guarantee a reliable supply due to manufacturing the product at three mills. We are also the world's largest market producer of birch pulp.

What is the current situation with your investment project in Uruguay?

Everything is on track for our second production facility in Uruguay with its planned eucalyptus pulp capacity of two million tonnes. Both parties – the Uruguayan government and UPM – are working through the sub-steps laid down in the investment agreement, so we can expect that UPM will make an investment decision before the end of 2019. From that point, it would be around another two and a half years until the mill opened.

UPM has only been active as a market pulp supplier for a few years. Have you been able to convince customers of your internal self-sufficiency and reliability?

UPM's decision to set up each division as a

separate profit centre is a long-term and strategic one. And as a market pulp manufacturer, this long-term and strategic aspect is exactly what our customers expect when they work with us. In the last few years we have proven ourselves as a reliable and successful partner. We need to fulfil our contracts – perhaps even more so than others!

Over the medium term, the market is sure to become even tighter.

The fact is, no new large-scale pulp mill is going to come on stream in the next two years. But fibre demand will increase; the only question is how quickly. Added to that, recent years have seen paper manufacturers reduce their stock with respect to working capital, while at the same time pulp mills and the ships transporting pulp have grown ever larger and the distances further. More and more pulp is coming from South America – a long way from Europe and China which means that when the supply chain is disrupted by lost production or shipping delays, there are repercussions to face.

How much attention do you pay to eco-friendly logistics?

We look closely at the carbon footprints of our supply chains and give preference to the most environmentally friendly mode of transport in each case. We try to transport as much pulp as possible via inland waterways or by rail.

Another example is the replacement of the wood trucking fleet in Uruguay, where HGV manufacturers were invited to let us field-test their vehicles. We then selected the model with the best ecological and economic performance, and negotiated terms. Our hauliers can now get the best possible technology at competitive prices.

SÖDRA CELL

"We have learnt a few things from these adventures!"

Topics discussed with Magnus Björkman, President at Södra Cell International, included challenges in logistics, bark beetle infestation and how digital technology is helping Södra prepare for more extreme weather conditions.

Please quote your current capacities at the different mills.

Björkman: Mönsterås produces 750,000 tonnes/yr of long-fibre and short-fibre pulp, Värö 700,000 tonnes/yr of kraft pulp and Mörrum 400,000 tonnes/yr of dissolving pulp from hardwood and paper pulp from softwood.

The startup of the expanded Södra Cell Värö mill took place almost three years ago. What is the state of play on that production line?

On November 5, Värö broke a new daily record: 2,603 tonnes. We are, of course, very proud of that and happy to be able to show the muscle of this investment! Almost 50% of the increased capacity of 275,000 tonnes/yr goes to tissue and the other half to speciality papers. In these segments we see the highest growth.

Which regions are most important for you?

We are defending our position in Europe! But we are also active in China and we are doing a bit of business in North America. In North America this is for very specific reasons: We do have specific customers there who want to have a global supplier.

To what extent are logistics becoming more complicated?

We realize that the logistic challenges in Europe are growing and growing. Barge traffic is being affected by low water levels, truck drivers are ever more difficult to get, et cetera. However, we need to find solutions for these challenges and we do have a couple of solutions.

Can you elaborate?

There is a general desire for track and trace, but in delivering more information, there are also costs involved and we do not want to add unnecessary costs to the value chain. Transparency yes, but it has to be reasonable, have a purpose and be useful.

How did the extremely dry summer affect your forest operations?

In Sweden, we have had the driest summer for many years and therefore had to stop felling activities for three to four weeks, but managed



Pictures: Södra

Södra Cell President Magnus Björkman

to source the mills with wood. Water levels have also been low but we have managed to reduce the water usage in all three mills and did still continue to run them. I can tell you: We have learnt a few things from these adventures!

Is the bark beetle a problem?

Yes, we do have bark beetles in the south-east region of our forests. But we do also have the means to deal with them: We acted immediately as we are operating drones which allow for very fast inspection. Once we had identified where the bark beetles were, we began removing the infested trees with surgical precision.

Are you preparing for more severe climate conditions?

We are taking internal decisions to prepare



Södra runs own ships for pulp transportation

for more extreme weather conditions. We need to increase our buffers: from the wood base all along the supply chain. It is important that we are prepared in order to remain a reliable supplier. Digital technology is also helping us by mapping the areas where we can harvest. This way, we can avoid areas that are too wet, for example.

What is your view on the development of the pulp market?

This is a difficult one: Going back one year, we were all wrong. Nobody thought that pulp prices would rise to the levels we saw in late 2018. There are many factors influencing the pulp market, including political decisions which we can neither predict nor control. Last year we saw the impact of China's waste ban, for example, as well as the fact that the world's three major economies – China, Europe and North America – were all relatively healthy. High demand for pulp was then offset against tighter supply as the industry was hit by everything from poor harvesting conditions and forest fires to truck driver shortages, production issues and bark beetle infestation. It really was an extraordinary year. In terms of prices, tight supply and consistently-strong demand for pulp meant that the market was in our favor, but if we have learnt anything, it is that we cannot predict the future and the factors that worked for us in 2018 can change quickly in the other direction.

In recent weeks, we have seen some change already. China has relaxed some restrictions on imports of recycled paper and the recycled paper market has also redirected some tonnage to other markets outside China. The global economy is slowing which in turn slows demand for paper and hence for pulp. At the same time, there have been no announcements of any significant pulp production problems for the last few months. So pulp supply is easing and demand slowing, bringing a little more badly-needed equilibrium to the market.

SCA "2020 will be the first year with full production"

During London Pulp Week 2018, *IFPTA Journal* also met with Henning Ellström, Vice President Sales & Marketing Pulp at SCA. SCA has just substantially expanded its pulp production capacity

at Östrand mill in Sweden. The company is now producing 900,000 tonnes/yr bleached kraft pulp (430,000 tonnes/yr before the 7.8 billion SEK expansion), next to 95,000 tonnes/yr of BCTMP.

What is the current situation at Östrand pulp mill?

Ellström: The startup in June 2018 went according to plan and we are now in the ramp up phase which is usually taking 12 to 18 months. 2020 will be the first year with full production.

Are you on track with the learning curve?

In Q3 we produced 147,000 tonnes and delivered 105,000 tonnes to customers. Yes, we are on track with the learning curve. Although 2019 will still be a startup year for us, we won't be far from the 900,000 tonnes/yr.

How did your customer base change with almost doubling production?

Before the expansion, we were selling 95% of our production in Europe and to our own production plants, now almost everything is market pulp: from 250,000 to 900,000 tonnes NBSK and from 70,000 to 95,000 tonnes BCTMP. Essity is now a standard customer for us; we negotiate everything with them as we do with others. We still like to keep Europe as the main market, but we are also open to the US, especially the East Coast. Our third most important market is Asia, with China as main destination.

It is interesting that you are delivering to the US, while for years new capacity was mostly intended for China.

We have a good set up there and good customers. We intend to send regular deliveries, have built up inventories and developed a good logistics network. We see interesting opportunities in the US and want to grasp them.

Which ports are you calling at?

We are going to the Port of Albany on Hudson River, New York State and supply Portland in Maine, both with breakbulk vessels. We believe it is important to prove that we will be a regular and long-term supplier to the US. So far, we did only one trial delivery but for 2019 we



Picture: SCA

Henning Ellström, Vice President Sales & Marketing Pulp at the Östrand mill

are looking at up to 15% of our production going to the US.

For deliveries to Asia, we pass through Rotterdam and then ship in containers. Furthermore, we call at close to 10 ports in Europe, amongst them Kiel, Stettin and Livorno or Hull in the UK. From these ports we continue with barge, trucks or train.

What do you consider to be your advantage compared to the competitors?

We only have one mill; this is an advantage as there are no layers between production, sales and R&D. We are a small team that can react quickly to customer demands. Another competitive edge is that we are the largest private forest owner in Europe. We own 2.6 million hectares, which is about the size of Belgium. Even last year, with a very mild winter and a hot summer with a lot of fires, we have always had enough wood available to run our production plants. Reliability is important and we can ensure it.

Do you have specific products in the pipeline?

We are working on three innovative products which we intend to launch soon, at least one in 2019. One is a product with very high tensile strength and another will be equipped with high wet strength.

Are you planning further investments?

It is very interesting to look into debottlenecking once we have reached full capacity.

What is your view on the development of the pulp market?

We see that customers want to put a bigger share into contracts for 2019 in order to secure volumes. That is a clear trend. Furthermore, the market is very tight in the US, softer in China and stable in Europe. And: Certified products are becoming more important, not only in Europe, but in Asia and the US as well.

How important are digital solutions for the pulp industry?

Digital solutions are becoming increasingly important as customers want to get automated information on the pulp they are receiving. I do also believe that the supply chain can be more efficient if digital information is available, for example on stock levels. During the investment project, we also implemented some new technology for state of the art online measurement of the production and we can send this information to our customers.

STORA ENSO **"Everything made from fossil-based materials today, can be made from a tree tomorrow"**

With Markus Mannström, Executive Vice President at Stora Enso's Biomaterials business division we talked about the investment project at the Skutskär mill in Sweden, the prospects for MFC (microfibrillated cellulose) or the effects of climate change on forestry.

You have invested EUR 26.5 million to guarantee Skutskär Mill's profitability and long-term competitiveness by increasing fluff production by approximately 160,000 tonnes annually. The mill's softwood capacity was expected to be reduced by 160,000 tonnes, starting from year 2018. The total fluff pulp capacity of the mill after the investment should amount to 415,000 tonnes. What is the state of play?

Mannström: The last steps took place in summer, the project is completed and we are now in the ramp up phase. Besides, we must go

to a product approval process in order to meet the specific certifications needed by each customer. We expect that seven to eight months is a reasonable timeline to get this done, so we should be in summer of 2019.

Talking about customers: Both hygiene and non-woven products are fast-growing markets. Will you ship more product to existing customers?

Yes, we primarily build on existing long-term customer relations. Most of these customers are leading producers for the European market. Fluff pulp is an interesting market, where applications can combine opportunity with differentiation. As a supplier, this means that we can do a lot more with and for our customers.

You are very actively pursuing production of micro-fibrillated cellulose (MFC) for a variety of applications. After investments to increase the MFC production capacity at your Finnish mills in Imatra and Fors, you are about to launch a new and advanced 395 g/m² board grade of Performa Brilliance, enhanced with MFC in the middle layer. This advanced, renewable, recyclable and biodegradable fiber-based material can be used in creating lighter, stronger and more sustainable material.

Indeed, we have made investments in the consumer board business in this regard. A flash dryer enables us to produce more CTMP and the more CTMP we have, the more MFC we can use in the middle layer. This project should be completed in Q1 2019. Then, we have several R&D projects with other players in this area, amongst them a cooperation with a specialty paper producer in order to use MFC as strength enhancer.

In general, MFC is a very interesting product! However, it takes time to develop a market as you face quite complex approval processes, there are a lot of things that need qualifications like product performance and quality safety.

At the end of the third quarter 2018, you successfully rebuilt one paper machine at Imatra Mills for industrial production of MFC for barrier film production. The ramp up was about to start during the fourth quarter.



Pictures: Stora Enso

Markus Mannström, Executive Vice President at Stora Enso Biomaterials

On pilot scale, we can produce different kinds of film material already today. I believe a lot in bio-based renewable film materials. The most demanding application is to replace the aluminium foil in liquid packaging board, an easier application would be to produce a lid for fresh salads and other on-the-go food. We push a lot in all different routes and we are going to see different solutions for different end uses and all of them will be repulpable and biodegradable.

How long will it take until these applications will be ready to be introduced to the market?

In a couple of years we will see film applications; a foil as alternative to aluminium will take more than two to three years.

2018 has been a year of increased end customer awareness for plastic pollution. To which degree will this support the use of biomaterials based on wood?

The increased debate on the use of sustainable packaging material is supporting technology and science development in this area.

Stora Enso has increased its ownership up to 100% in the Sweden-based company Cellutech AB. The company specializes in the development of new materials and applications based on cellulose, MFC and other wood-based components.

The acquisition of Cellutech will add a new dimension to our fiber and cellulose capabilities.

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Stora Enso pulp transportation

ties particularly in lightweight cellulose foams and spheres. We are investing in technologies and expertise that will further broaden application development competence in Stora Enso's Biomaterials Division. Cellutech was founded five years ago as an actor between academia and industry. We have participated since day one and will now have Cellutech as a unit in our R&D organization.

You also converted the Finnish Enocell mill to produce 430,000 tonnes/yr of dissolving pulp. The work was expected to be completed in the second half of 2019.

The project at Enocell is well on track with a startup date scheduled for late August or early September 2019. We will then gradually ramp up production with the flexibility to switch between kraft pulp and dissolving pulp. All in all, chemical pulp has a fairly bright future, consumption is globally increasing, driven by megatrends. What attracts us is that you are getting closer connected to large brand owners. At the end of the day, everything that is about new materials is market driven, consumer driven and brand owner driven. We intend to grab the opportunities which we see, but we also want to remain realistic regarding the number of opportunities you can pursue. You have to have a business case and you have to put tremendous efforts into entering new supply chains further down the stream and this means that there have to be a lot of things put in place first.

Are you looking into new investments?

Right now, we make sure to finalize current projects successfully and then, for the moment, we will focus on continuous improvement and debottlenecking.

What is your current overall capacity?

We are producing 5.8 million tonnes/yr of pulp and out of this around 2.15 million tonnes is market pulp; 900,000 tonnes is hardwood; 800,000 tonnes softwood; 250,000 tonnes fluff; 150,00 tonnes dissolving pulp; and, some 50,000 tonnes unbleached kraft pulp.

To which degree have the mild winter and hot summer, with large fires in Sweden, affected wood harvesting?

We were affected by a very mild winter in Finland and one with lots of snow in Sweden. The forest fires in Sweden and an overall high fire risk led to temporary stops in harvesting during the summer. In Sweden, this did not have an impact on production. In Finland we have had some issues. We talk a lot about the unnormal becoming the normal. Several things can be done: We know that we can increase efficiency during mild winter conditions, a lot depends on the soil and the microclimate. The better we become in getting information on where we can operate, the more we can do. And then you can buffer: We have to be even more technology-driven and better at planning and preparing for delays in the whole supply chain.

What is your view on the development of pulp prices?

The market is expected to stay fairly positive. There are no new mills in the pipeline and this will mean a favorable situation for the suppliers. There are certainly a lot of macroeconomic issues on the agenda, but the fundamentals of the industry are even stronger than one year ago!

METSÄ FIBRE

"We want to be the forerunner in this area!"

With Ismo Nousiainen, CEO of Metsä Fibre, the strategy of the company and its competi-

tive edge as well as potential future investments were discussed.

Please describe first your current production sites with respective capacities.

Nousiainen: All of our pulp mills are located in Finland. Joutseno mill was started up in 2001 and has a capacity of 690,000 tonnes/yr of softwood pulp. Kemi mill, running on technology that was implemented at the end of the 1980s, has a total capacity of 620,000 tonnes/yr producing softwood and birch pulp. Rauma mill, started up in 1996, has a capacity of 650,000 tonnes/yr of softwood pulp and Äänekoski mill, our bio product mill, was started up last year. Once at full capacity it will produce 1.3 million tonnes/yr of pulp: 850,000 tonnes of softwood pulp and 450,000 tonnes of birch pulp. In 2018, Äänekoski manufactured 1.15 million tonnes and for 2019 we have budgeted 1.3 million tonnes.

Which markets, regions and segments are most important for you?

Out of our 3.2 million tonnes of annual capacity, we do sell 2.4 million tonnes as market pulp, while 800,000 tonnes are integrated in Metsä Group. We sell 1.3 million tonnes to Asia -- out of which China accounts for one to



Pictures: Metsä Fibre

1.1 million tonnes -- and 600,000 to 700,000 tonnes to Europe and the Middle East. Among the product segments is tissue, accounting for more than one third, most important and growing, then speciality papers, board and graphic papers. Joutseno and Äänekoski mill are focussed on Asia, Rauma and Kemi on Europe and the Middle East.

From your point of view, how does Metsä Fibre stand out from its competitors?

First of all, we do have a long history of good cooperation with our customers. We have developed our customer service all the time and around 20 people in our technical service team do run 10 to 15 customer projects per year.

Then, we do have very strong pulp mills; all of them are in the youngest quartile of an overall ranking and it is our strategy to renew our mills when the time comes. Äänekoski is a good example for that. The mill was 32 years old when the investment project was decided. It was the right time to renew the mill and to increase capacity. We aim to be a reliable supplier, while a lot of capacities globally have faced technical problems and unplanned production losses with their production lines.

The third competitive edge is that we try to develop this business all the time. We want to be the forerunner in this area! We know that product quality and stability is most crucial for our customers. In earlier times it was hard to define what is the right quality of the pulp. Therefore, we thought about a possibility to define the quality index based on our process data: We collect data from the production process and put it together in one number. Nowadays, we extract the quality index and put it on the RFID tag of the pulp bale. This way, the customer can optimize his production process.

Another example for what makes us special is our sustainability performance. We offer 100% traceability for our raw material. And, last but not least, the environmental performance of our pulp mills is outstanding. Just think about this: Äänekoski mill is now at a lower level regarding its environmental impact than before this massive expansion!



Pulp drying at Metsä Fibre plant in Äänekoski, Finland

The Äänekoski mill is also a showcase for most modern logistics.

That's true. The target was to establish the most effective logistics chain! We do not have a warehouse at the mill, only a distribution center. We are the first ones to work with extremely modern techniques in the pulp mill. There is no more manual work involved. Damage is prevented at all cost and the trains that run to the Port of Vuosaari are very effective. All in all, we have invested almost 100 million Euros in this logistics system.

How is transport organized from the other mills?

In Kemi, the port is about seven kilometers from the mill and the pulp is loaded traditionally. At Rauma mill we have a warehouse and the Port of Rauma is five kilometers from the mill. In Joutseno we have a traditional warehouse and take the pulp by train to the ports of Kotka and Vuosaari.

The technology at Kemi mill dates back to the 1980s. After your strategy, this would

mean there is an investment on the horizon.

The technical age of the mill is reaching its limit after five to 10 years, although there are some new departments and some that are dated. We do now have two options: One is to create the same kind of mill as in Äänekoski; the other is to modernize the old departments and lengthen the lifespan without increasing capacity.

When will you take a decision?

We are now looking at the raw material availability and logistics issues and expect the prefeasibility studies to be completed next summer. Certainly, this will be in line with our strategy to keep our position as leading supplier of softwood in the future.

Which trends do you observe in the pulp market?

When I started working in this business, in 2001, China imported two million tonnes of market pulp, now it is 22 million tonnes per year. I believe that this growth will continue. People are moving to cities, they want to improve their standard of living, which translates into an increased use of tissue products or e-commerce. Then there is the discussion around plastic pollution and a huge potential to replace plastics by wood fiber, to replace fossil-based material by bio-based material. I do even see growth in traditional printing and writing paper markets in emerging markets. The bottom line is: There is need for fiber and I am more concerned about a shortage of fiber.

You have been working as production manager for eight years. How does this help you in your current position?

At least it is not a handicap ... it is the possibility to combine information from different areas that makes a difference.

What is your take on the development of the pulp price?

If there is a demand development as in the last years and as there are no new capacities coming on line, the market is tightening and this will affect the price.

UPM TAKES PART IN INTERNATIONAL PUBLIC TENDERING TO BUILD PULP TERMINAL IN MONTEVIDEO DEEP SEA PORT

UPM is taking part in the international public tendering process in the port of Montevideo organized by the National Ports Administration (ANP) of Uruguay.

The scope of the concession tender is the building and operation of a port terminal specialized in the storage and shipping of pulp, chemicals and other inputs related to pulp production with a capacity to handle approximately 2 million tonnes of pulp annually. The tender includes the design, financing, engineering, construction, operation and maintenance of the pulp terminal. The tenure of the concession would be for 50 years.

Port development, supporting an efficient and reliable outbound logistics, is a key fundamental for the potential building of the third pulp mill in the country. Modern facilities in the Montevideo deep sea port would offer a competitive gateway from South America to growing export markets benefiting the Uruguayan economy.

The tender is made in the context of UPM's current study on the potential of building a new pulp mill in Uruguay. The investment agreement with the Government of Uruguay was signed in 2017. As part of the agreement the Government will promote a concession for a terminal specializing in pulp in the Montevideo port with rail access. The possible pulp mill would have an annual capacity of approximately 2 million tonnes of eucalyptus market pulp. The preliminary estimate for a pulp mill investment on site is approximately EUR 2 billion.

Two preparation phases need to be successfully completed before UPM would be in a position to make a final investment decision on the pulp mill. The second preparation phase is currently proceeding. Achieving significant progress in the implementation of the agreed infrastructure initiatives by the Government of Uruguay and any relevant items are to be agreed prior to the possible final investment decision. If these two preparation phases are concluded successfully, UPM will initiate the company's regular process of analysing and preparing an investment decision.

If awarded a concession in the Montevideo port, UPM's financial commitment in the form of a performance bond would be US\$20 million at this stage. At the time of the potential final investment decision on the pulp mill project UPM would proceed with the port investment decision and start of the construction of the port facilities. The preliminary UPM investment estimate for the port facilities would be approximately US\$260 million.

VALMET TO DELIVER KEY PULP MILL TECHNOLOGY FOR ARAUCO'S NEW PULP LINE IN CHILE

Valmet and Arauco have finalized the contract to deliver pulp drying and baling, recovery boiler and biomass boiler for Arauco's MAPA project.

The delivery is part of Arauco's major investment to expand current production capacity and build a new pulp production line at the Arauco Mill in the Bio Bío Region, Chile. A letter of award was signed and published in early October.

The modernization and extension of Arauco Mill involves a US\$2.35 billion investment, which makes it the largest investment in Arauco's history and one of the largest pulp investments in the world. The project includes the construction of a new production line, line 3, with an annual capacity of 1.56 million tonnes. The new line is estimated to start operation in 2021.

NEW PRESIDENT OF TARRAGONA PORT AUTHORITY

Josep Maria Cruset i Domènech became the president of the Tarragona Port Authority in November 2018.

He has a degree in chemical engineering from the Rovira i Virgili University Higher School of Chemical Engineering (ETSEQ) and an



Josep Maria Cruset i Domènech became the president of the Tarragona Port Authority in November 2018

Source: Port of Tarragona

MBA from the same university. He specializes in process and quality management and worked as a quality specialist for the Tarragona Provincial Government, a body in which he is a civil servant currently on leave of absence.

Josep Maria Cruset was mayor of Riudoms from 2007 to 2011 and a councillor on the Baix Camp County Council from 2007 to 2009. In 2009, he was elected a member of the Tarragona Provincial Government and in 2011 became its vice president, as well as the member responsible for the Municipalities Assistance Service (SAM), posts he relinquished on becoming president of the Port of Tarragona.

He is a member of the University Chair Promotional Group and Region of Knowledge of the Rovira i Virgili University and the ETSEQ Advisory Council and a member of the Assessment Committee for the Unified Works and Services Plan of Catalonia from 2013 to 2016.

As president of the Port of Tarragona, he is also president of ChemMed, the first chemical industry cluster in southern Europe, a member of the Board of Directors of the Tarragona Port Promotion Group (APPORTT), a member-consultant of the Tarragona Chamber of Commerce, Industry and Shipping and a member of the Reus Chamber of Commerce. He is also a member of the international port organisations MEDPorts Association and the Mediterranean Ports Community.

OJI FIBRE SOLUTIONS AND PORT OF TAURANGA RENEWAL OPERATING AGREEMENT

Oji Fibre Solutions and Port of Tauranga have confirmed their long term relationship has been extended with the renewal of their operating agreement for a further 10 years.

Oji Fibre Solutions is New Zealand's major manufacturer of market kraft pulps, containerboard and packaging products. The company has committed to consolidating the majority of its import and export cargo volumes through Port of Tauranga for the next decade.

The agreement reflects the long and productive relationship between the two companies, dating back to the 1950s.

Murray Horne, general manager, of Oji Fibre Solutions' logistics arm Lodestar, says the renewed agreement enables the continuation of operational synergies across the export supply chain for Oji and their associated forest products export customers.

"We continue to focus on facilitating an optimal supply chain solution for our pulp and paper mills based in the central North Island and Eastern Bay of Plenty. By utilizing the infrastructure at the port, and the rail and road links to our production facilities, we deliver the most logical solution for our business," he says.

Oji leases a purpose-built, 22,000 m² warehouse at Port of Tauranga's container terminal. The shed was constructed by Port of Tauranga for Oji in 2017 to enable improvements in quality and greater flexibility around product storage, handling and packing.

Port of Tauranga chief executive Mark Cairns says the agreement strengthens a mutually beneficial strategic partnership and assists both companies to continue building their businesses.

"Partnerships of this nature allow both parties to plan rationally for the long-term. We value the faith that Oji continues to place in Port of Tauranga as its port for the future," says Cairns.

RESOLUTE FOREST PRODUCTS COMPLETED SALE OF THE CATAWBA, SOUTH CAROLINA, PAPER AND PULP MILL

Resolute Forest Products has announced that, on December 31, 2018, it completed the previously disclosed sale of the Catawba, South Carolina, paper and pulp mill to New-Indy Containerboard, pursuant to the terms of the asset purchase agreement dated October 2, 2018.

The total purchase price of about \$300 million consists of \$260 million in cash, before customary closing adjustments, and the assumption of approximately \$40 million of balance sheet liabilities, largely net pension benefit obligations.

SCA WOOD FRANCE AND ISB CONSIDER MERGER

SCA Wood France and the French company Innovation Solutions Bois, ISB, are considering a merger of their operations on wood processing and distribution of wood products in France. The potential merger would result in a large and resourceful supplier of wood products to the French building material sector.

"The French building materials sector develops over time in a positive direction and sharpens demands on the suppliers, regarding volume and product portfolio, as well as quality and service," says Jerry arsson, president of SCA Wood.

The company will provide more information during the first quarter of 2019, given that discussions with ISB develop in a positive direction. SCA Wood France supplies more than 100,000 m³ of wood products to the French building materials trade. The products include wood paneling, flooring, decking and construction timber. SCA Wood France has approximately 80 employees and sales of 40 million euros.

Innovation Solutions Bois is France's largest supplier of wood products to the building materials trade. ISB has sales all over France and wood processing in five locations. ISB has approximately 470 employees and sales of more than 230 million euros.

HAVE YOU SEEN THE IFPTA WEBSITE?

This new website will help us keep our members connected. With social networking support, simple tools for staying in touch, sharing documents and photos and resources to support committees, we can use it to help market our association and highlight all the great work being done.

In addition, the IFPTA website (ifpta.org) is the workhorse that will collect member dues, support event registrations, and receive payments.

We invite you to come see what we've started. If you have any questions or issues logging in, please contact Ashley Westbrook (awestbrook@ifpta.org).

ONLINE ACCESS TO MEMBER DIRECTORY

All IFPTA members have access to the online member directory and other assets within the Members Only section of the website.

Simply log into your account on from the IFPTA home page to access all of the exclusive member only content, including:

- Current and past issues of the IFPTA Journal
- Online member directory
- Ability to update your member profile and contact information
- Renew your membership dues online

If you have any questions about how to access, please contact Ashley Westbrook (awestbrook@ifpta.org).

SAVE THE DATE: VANCOUVER MEMBER EVENT

Exclusive learning opportunity for IFPTA Members

IFPTA on the Road events are our traveling networking and education events that are exclusively for IFPTA Members and their guests.

Our next event is in Vancouver on Monday, May 6, 2019.

Preliminary Agenda

4:00pm – 4:45pm Doors Open & Networking Time

4:45pm – 5:30pm Presentation and Discussion

5:30pm – 7:00pm Networking Time

The event will be held at Steamworks Brewpub in Vancouver. For more information about the event or to RSVP, please email Ashley Westbrook (awestbrook@ifpta.org).

IFPTA GETS SOCIAL

Follow the IFPTA on LinkedIn and Twitter to get even more updates and information about the forest products logistics industry.



Our Twitter feed is full of the latest news from around the industry.

@IFPTA



Our LinkedIn group is a great place for news updates and having conversations with other forest products logistics professionals around the world.

<https://www.linkedin.com/groups/108004>

UPCOMING INDUSTRY EVENTS

2019

February 11-12

Breakbulk Middle East

Dubai, UAE

www.breakbulk.com/breakbulk-around-the-world-all-year-long/

March 11-13

RISI European Conference 2018

Vienna, Austria

<https://events.risiinfo.com/european-conference/>

March 20-21

Breakbulk Asia

Shanghai, China

www.breakbulk.com/breakbulk-around-the-world-all-year-long/

May 5-8

PaperCon

Indianapolis, Indiana

<http://papercon.org/>

May 21-23

Breakbulk Europe

Bremen, Germany

www.breakbulk.com/breakbulk-around-the-world-all-year-long/

NEW IFPTA MEMBERS

Please join the IFPTA Officers & Directors and welcome the newest members of the Association.

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International
Forest Products
Transport
Association



IFPTA On the Road - Vancouver

Monday, May 6, 2019

You are invited to join the IFPTA Officers & Directors for an afternoon of education and networking. This will be held in conjunction with International Pulp Week. The location and speaker will be announced in the coming months.

RSVP today - Ashley Westbrook - awestbrook@ifpta.org

The International Forest Products Transport Association (IFPTA) was established in 1982 as an organization for professionals within global forest products logistics and related industries. The Association provides a networking framework to encourage communication and innovation among all roles and participants in the supply chain. Learn more at www.ifpta.org



AN ANALYSIS OF RECENT MARKET MOVES: BY THE RISI ECONOMISTS

CARTONBOARD

EUROPE

As we expected, European corrugated demand decelerated significantly in 2018. Additionally, long-awaited capacity additions started ramping up at the same time. As a result, prices declined late in the year, and are anticipated to fall further in 2019. The eurozone economy is slowing down, with December business activity figures dropping to a four-year low, and business confidence is at a six-year low. Brexit, trade wars, political uncertainty and the rapid deceleration of growth in China are all painting a deflationary picture for containerboard.

At the same time, there is an estimated 6.8 million tonnes of capacity additions expected (announced or under feasibility study) in the next five years in Europe (including Turkey but excluding Russia and the CIS). This would seem to be too much no matter what your assumptions are for exports, which look increasingly vulnerable due to weak demand in China and deceleration of growth in the US. Most of this capacity is recycled containerboard, triggered by healthy margins from high containerboard prices and importantly, abnormally low PFR prices during the times we were in the upper part of business cycle, again due to China. Usually, input costs are rising in the upper part of the business cycle, but this time they dropped dramatically, creating huge margin gains for recycled containerboard producers. Some projects are also under feasibility studies for the virgin containerboard.

People often get overly excited about the future of the industry during the peak of the business cycle, which leads to massive amount of new potential capacity additions and excessive M&A investment. But, when things quickly become much less attractive and prices and/or costs move in a less favorable direction, some of these projects are canceled just as quickly as they were initiated. However, there is a certain amount of capacity investment that is performed by well-established, integrated players, who plan their investments regardless of the current business cycle fluctuations.

How large is the share of capacity that is less likely to happen out of the currently proposed 6.8 million tonnes? We estimate that about 2.5 million tonnes of this announced/potential capacity is likely to not happen at all. This is especially true for (1) some Italian projects which may face excessive bureaucracy, (2) virgin containerboard projects that will be undermined by increasing imports from overseas, and (3) projects with returns already under question due to ambiguous input sourcing planning and/or unclear strategy definitions (across geographies).

Nevertheless, the balance of the capacity projects, which we count as almost certain, will be significant in size by historical standards.

They will lead to higher demand for quality paper for recycling (PFR) and thus higher input prices over the medium term no matter what the Chinese government decides regarding the PFR import ban. And the supply/demand balances risk to be depressed for longer than many expect in the years to come. But then again, recent history teaches us that a confirmed project can easily be postponed by one or two years.

To learn more and get more details about RISI's future containerboard outlook, check out the updates in the monthly *Paper Packaging Monitor Europe*, the quarterly *European Paper Packaging 5-Year Forecast* and the annual *European Paper Packaging 15-Year Forecast*.

PULP

CHINA

The RISI fiber team recently returned from a busy and interesting week at London Pulp Week. Pulp weeks are always great events that draw key players and industry analysts from around the world to one location for a few days. This atmosphere enables an amazing amount of information sharing and discussions about the global pulp and paper market. The third and final pulp week of the year was a great way to recap and quantify the impact that the demand-side and supply-side shocks that rocked the pulp industry this year had on the global fiber market. With a better understanding of how the waves of unexpected downtime at pulp mills and recovered paper policy changes in China have shaped fiber markets to date, discussions turned to how these factors would continue to play out moving forward. The focus has now shifted to monitoring how the recent marked slowdown in the Chinese economy and, more specifically, the sluggish demand for pulp and paper demand develops. In general, the overall market sentiment and consensus outlook remains rather sanguine, but concern around the outcome of the slowdown in China is growing.

Before taking a closer look at the demand slowdown in China, let's review the supply-related information we learned. Most of the people RISI spoke with were well aware of the fact that unexpected downtime had kept markets tighter than they would have been otherwise, but were a bit surprised by the aggregate volume of lost production. RISI estimates that unexpected downtime will increase 19% or 250,000 tonnes in 2018 from an already historically high level in 2017, and most agreed that the waves of production disruptions are not likely to let up in the near term. The pulp market is expected to continue to operate at high utilization rates, testing the mechanical limitations of older mills and resulting in intermittent downtime. There was also some talk of a repeat of the warm and wet winter experienced in the Nordics and Central Europe last year that constrained logging in the area as recent temperatures have been much warmer than typical for the time of year.

Regarding specific mill projects, it sounds like the Svetlogorsk 400,000 tonne BSK mill in Belarus continues to run into production issues, and we heard from multiple sources that the mill may not be running at all. We confirmed information the RISI fiber team had



heard previously that Chenming was importing hardwood chips for the planned startup of its Huanggang mill. This mill was originally announced with plans to produce paper grade BSK while working to get the DP production qualified, but now looks likely to produce paper grade BHK in the interim instead. Looking further ahead, consensus has formed around Arauco MAPA being the first major pulp project to be started this cycle. This has changed from Vancouver Pulp Week when Eldorado II was expected to challenge the MAPA project to be the first major new mill to startup. The failure to consummate a deal for Eldorado between Paper Excellence and J&F has resulted in plans for the new line being put on hold. There is much less certainty surrounding the remaining projects that have been announced for both BHK and BSK. RISI's capacity forecast still has room for another two possible BHK lines that could startup in Latin America after the MAPA project, as well as two BSK projects most likely in Finland or Russia.

The topic that garnered the most attention and stimulated the most debate was the lack of demand in China. The global economy seems to be experiencing a backlash of sorts against the rapid rise of globalization. As more leaders espousing protectionist policies are elected throughout the world, the norms of global trade are being upended, sowing uncertainty in the economy. The resultant effect on the Chinese economy has been particularly acute. Uncertainty among consumers in China over the ongoing trade war with the US, coupled with the continued deceleration of growth in the economy and limited arsenal of policy remedies available to the Chinese government, seems to have brought demand growth in China to a grinding halt. Against this macroeconomic backdrop, the paper and paper board industry in China is still grappling with rampant oversupply and weak prices. This has resulted in rising inventories of finished paper and therefore little need to purchase pulp. There were also some discussions about growing pulp inventories at Chinese ports and bonded warehouses. However, it is worth noting that it is challenging to decipher the reasons behind the reportedly large gains in inventories at ports in China. Overall, most people held the belief that this slower demand period would pass sometime in the first quarter of 2019 but remained concerned about downside risks. These downside risks revolve around further escalation in the trade war with the US and a sooner-than-expected global recession stimulated in part by these protectionist policies.

Despite these concerns and the admitted weakness prevalent in the current market, the consensus seemed to be that this shall pass in the near term, and markets will grow tighter through most of 2019 and tighter still in 2020. We heard of some contract discussions being completed on the early side as buyers seemed keen on locking in future supply.

shift in the North American uncoated freesheet market. This move comes after a similar shut at the company's Camas, WA, mill in February 2018, with both closures ending uncoated freesheet and integrated fiber production but leaving the now fully non-integrated tissue lines operational. By the end of March, the fourth-largest uncoated freesheet producer in North America, which controlled 9% of uncoated freesheet capacity and 19% of cut size capacity in 2017, will have completely left the market in a little over one year.

This exit differs from previous major capacity reductions over the past decade and a half in that it will lead to a significant increase in uncoated freesheet market concentration.

After G-P exits the uncoated freesheet market, 71% of the North American industry will be down to a "big three": Domtar, with a 36% market share, International Paper, with a 24% share, and PCA/Boise, with an 11% share. The new fourth-largest player, Pixelle Specialty Solutions, will have a 7% share, and the G-P news will be an almost-immediate upside for the new owner of Glatfelter's former mills, not to mention the rest of the domestic industry.

Of course, one obvious elephant in the room is the role of imports. The total North American uncoated freesheet market has very close to balanced trade, so it may be reasonable to calculate measures of market concentration using only the domestic industry. However, offshore imports play a large role in the domestic cut size markets, as demonstrated by the 23% share for US imports in 2014 and the tariffs levied against several major offshore suppliers in 2015. When we factor in the estimated 12% import share of North American demand in 2018, the cut size Herfindahl-Hirschman Index (HHI) goes down by about 500 points, so competition from imports should keep the cut size market out of concentrated territory in 2019 by the current standards. In fact, the impact of imports is almost certain to increase in 2019, as Brazilian producers with manageable tariffs of less than 20% are still active in the US market, and major Portuguese and Indonesian producers have seen prior their rates reduced to very low levels. Slowing Chinese demand and major capacity additions will further increase the pressure on global producers to export.

A worst-case scenario for North American cut size demand in 2019 might be a 7% drop, equivalent to the 2017 decline that was the worst since 2009, which would put demand at 3.5 million tons. This is the same level as the production of the entire North American industry in 2018, before the removal of about 350,000 tons of prorated cut size capacity from Port Hudson. Consequently, we will likely see increased offshore imports, as well as North American paper producers shifting more production to cut size, pulling back from exports, and perhaps even shifting some coated freesheet production over to uncoated freesheet in a reversal of the aftermath of the Appleton Coated and West Linn coated paper closures. Although increased imports to the continually attractive North American cut size market will dilute the impact somewhat, the bottom line is that participants in the North American uncoated freesheet market will experience the largest increase in market concentration in more than a decade.

GRAPHIC PAPER

US

The surprise announcement from Georgia-Pacific (G-P) that it will close uncoated freesheet production and the integrated fiber line at its large Port Hudson, LA, mill by mid-March represents a major

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IFPTA

International Forest Products Transport Association (IFPTA) is registered in the USA as a non-profit mutual benefit corporation, 1982.

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IFPTA Journal

The IFPTA Journal is published quarterly in March, June, September and December by RISI, Inc. The Journal publishes articles and other information of general interest to the association's membership. The Journal reserves the right to edit all submitted material. Opinions or views expressed in articles are not necessarily those of the association. Reproduction of material from the Journal can only be made with written permission from Fastmarkets RISI. The Journal is distributed for free to IFPTA members as part of their membership package.

The Journal welcomes articles of between 1,000-2,000 words on any aspect of the forest products transportation sector.

For IFPTA Journal editorial team, contact:

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IFPTA website

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