

Transport, Handling, Warehousing and Distribution of Forest Products

IFPTAJOURNAL

www.ifpta.org

Vol. 37, Number 3/2020

RAIL TRANSPORT: THE COURSE IS SET FOR GROWTH

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HUGE CO₂ SAVINGS POTENTIAL FOR SUPPLIERS

By SUSANNE HAASE, Editor

Many large global corporations have recently committed themselves to ambitious CO₂ reductions. These include retail giants such as Nestlé, Mars, Unilever and IKEA. They will make great efforts to make their business much more environmentally friendly. This also includes replacing packaging made of plastics or plastic based on fossil raw materials with alternatives made from wood fibers.

This can be a great opportunity for the pulp and paper industry if it knows how to take advantage of the curiosity about these possibilities and the growing desire of industry and consumers for climate-friendly offerings. As a result, the consumption of wood fiber-based packaging materials is expected to increase significantly by 2030, which would also have an impact on the transport of the same.

However, as the world's leading companies have recognized that they can significantly reduce global greenhouse gas emissions by encouraging their suppliers to operate more sustainably, this development would also mean that companies that transport wood fiber-based products would also have to demonstrate their efforts in terms of sustainability more strongly.

After all, suppliers generally produce more

than five times as many emissions as the companies themselves - and they are hardly interested in reducing their ecological footprint. This is one of the key findings of the CDP Supply Chain Report 2019/20, the most comprehensive study of climate risks in global supply chains to date. The study by the British non-governmental organization CDP was presented at the recent World Climate Conference in Madrid, Spain.

For the study, CDP interviewed 13,111 suppliers from 125 major companies. The organization asked the corporations, including BMW, Deutsche Telekom and Daimler, to send standardized questionnaires to their suppliers about their energy consumption and other environmental issues. A total of 6,957 companies responded to the survey and it turns out that companies alone emit almost eight billion tons of greenhouse gases every year. This is almost double the emissions of the entire EU.

The report showed how crucial sustainable supply chains are in the fight against the climate catastrophe.

Now one could rightly say that for the study, mainly industrial concerns were interviewed; the production and distribution of wood-

based products is likely to be associated with significantly lower emissions of greenhouse gases. But: The voluntary commitment of well-known companies to reduce their emissions is due to enormous public pressure. They must now justify their ecological footprint and it is to be expected that this development is only the beginning.

The good news: As an editor, I myself have seen that the companies that transport the products of the forest-based industry are already preparing for this.

ON A PERSONAL NOTE

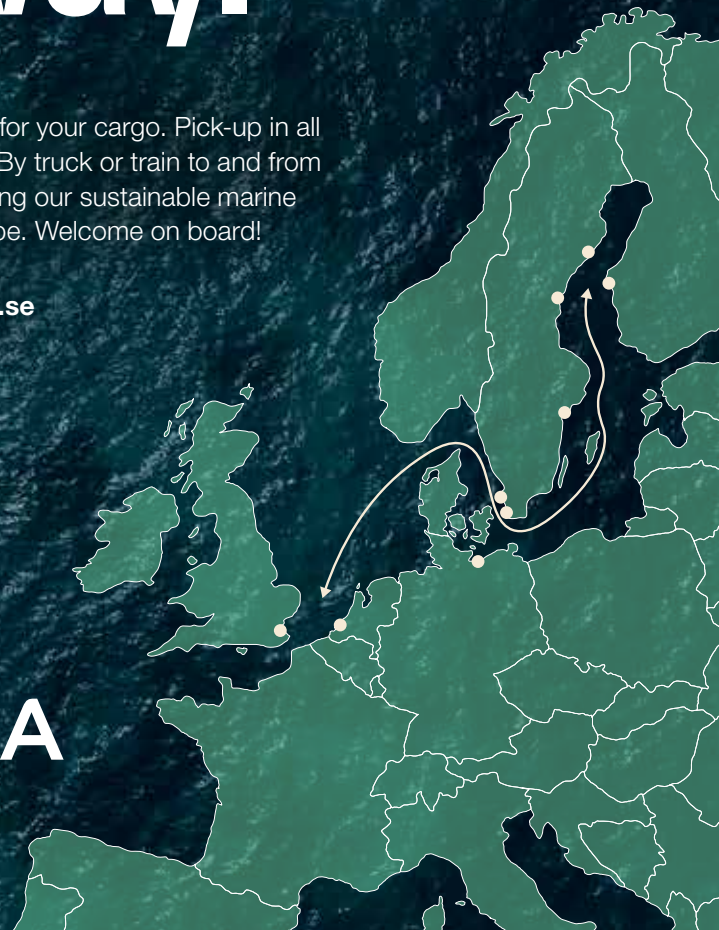
After five years as editor-in-chief of the *IFPTA Journal*, I am ending this task with the publication of this issue. It has been an exciting time and I am grateful for the insights I have gained in this area. I have now taken over the role of program director of the 4evergreen Alliance, an ambitious initiative of CEPI, the Confederation of European Paper Industries. The aim of this initiative is to guarantee the recyclability of fiber-based packaging to the highest extend. I will therefore remain loyal to the forest-based industry and wish IFPTA all the best for the future!



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Mark your calendar for Transport Symposium 2021!

By ALAN BOG, IFPTA President

As we headed into 2020, none of us could have imagined how this year would turn out. When I am talking to customers around the world, most of them are still working from home. As I write this I will have been working from my home for the last seven months, unable to return to China due to restrictions on the entry of foreigners during the COVID-19 crisis. However, it does look like I will be returning in the coming days, so by the time you read this I should be there.

Our customer contacts have certainly changed, but I am sure we are all convinced that a conference call does not achieve the same as a one-to-one meeting. I know many of us are missing the social aspect of our industry and

are looking forward to seeing our customers and friends face to face again.

In IFPTA, we are now looking a year ahead to the Transport Symposium in Jacksonville, Florida on September 16-18, 2021. This will hopefully be a time when the world will have recovered from the virus. It will be a great time to get together with customers, colleagues and friends from the industry, with so many events in 2020 having been cancelled.

Our organization team, Tom Mutz, Rhoda Voth and Rick Schiappacasse, is already working hard on putting together a great program. Our partners, Fastmarkets RISI, have been dealing with the venue to ensure we can put on a great event in spite of any

constraints that might still be in place in a year's time.

So please put the event in your calendar for 2021 and start planning your trip. Remy Poos will be in touch with many of you to discuss exhibiting, sponsorship and advertising opportunities.

Jacksonville will give many opportunities for extra-symposium activities. There are some great golf courses in the area and I am sure many of you will want to extend your stay in the area.

We are sad to be losing Susanne Haase, who has been editing the *IFPTA Journal* for the last 5 years. I have very much enjoyed working with her, and she has done a fabulous job for IFPTA over the period. I am sure all IFPTA members will join me in wishing her well in her new career.



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“We will adapt to this dynamic market and generate new solutions!”

DB CARGO: ON TRACK FOR GROWTH

By SUSANNE HAASE, Editor, IFPTA Journal

The IFPTA Journal spoke to Martin Reiser, head of the sales & operations center, pulp, at DB Cargo, about the importance of the business with wood-based products, current customer projects and investments in the future - and the passion that connects him with this industry.

Please describe the importance of the business with wood-based products for DB Cargo.

DB Cargo is the largest European provider of sustainable rail transport. We transport 2.5 million tonnes of paper and 2.6 million tonnes of wood per year, this adds up to a total of around 9 million tonnes for the forest products industry.

For DB Cargo these industries are of great importance. That is why we will also invest - above all in operating personnel, intelligent and innovative freight wagons, multi-system locomotives and, of course, in infrastructure: And we should have in mind: rail transport saves up to 80 per cent of CO₂ compared with trucking and is an active contribution to climate protection.

How many employees at DB Cargo are concentrated in this particular segment?

Around 80 employees at DB Cargo are directly focused on the pulp & paper and timber sectors, in sales, product management and customer service. In addition, of course, many locomotive drivers or shunting teams also work for the forest products division every day, but not exclusively.

How has business with these customers developed over the years?

In the pulp sector, we had about 1.4 million tonnes per year 10 years ago; we're now at 2.5 million tonnes, and if COVID-19 hadn't stopped us, we would have been at 2.7 million. I'm sure it



Rail transport has been growing in the paper sector for years

would. Our goal is to transport about 3.5 million tonnes in 2025. We have also been growing in the paper sector for years. In recent years, however, we have also felt the effects of declining volumes in the graphic paper sector, but we are accompanying the transformation of the industry and are transporting more and more packaging paper

and cardboard. The market is highly exciting and will bring us growth. We will adapt to the dynamic market and generate new solutions!

At the Transport Symposium in Tarragona, you formulated a kind of offensive for DB Cargo's business with wood-based products. Could you please explain the key data of the concept?

Firstly, there is the new wagon equipment for the pulp & paper and timber divisions. We have already developed a prototype for pulp and paper, which will go into test runs this month. This much I can already reveal: It has no center spar, so it can be loaded even better and more efficiently. The tarpaulin runs very smoothly during opening and closing and allows one-man operation. The truck is also intelligent, as it will be equipped with telematics and sensor technology. In addition, the procurement time will be shorter, which is very helpful to us in new customer projects. The new wagon can also move the load of 2.5 trucks. A new wagon is also being developed for the timber division.

Our new customer portal link2rail is cur-



Martin Reiser, head of the sales & operations center, pulp, at DG Cargo

All pictures: DB Cargo

rently being rolled out, through which order creation and shipment tracking is completely digital. It has significantly more features than its predecessor solution and is being continuously developed. Our goal: The handling of rail transports must be simple and efficient.

But the heart of the offensive is our new industry strategy for pulp and paper, which we are currently developing. It takes into account the current requirements of our customers and follows the overall strategy of DB Cargo, i.e. "Strong Cargo". The course is set for growth; the signal has only one color: green.

We want to create new interfaces for our industries. Not every customer has a siding or a terminal on their doorstep. This is where we offer high-quality, holistic consulting services for the reactivation and expansion of sidings on the one hand, and for new infrastructure projects on the other. We are also currently investigating which new cost-effective interfaces we can create in the vicinity of paper mills. We then want to expand these and use them to provide easy access to the European rail network. The most environmentally friendly version of this is an extended charging road on the electrified network, where the last mile is taken up by electric trucks.

In addition, modern distribution centres in the areas where paper customers are located are geared to the needs of the industry, especially in the paper sector. Here, logistics with full service is offered - either with partners or as an in-house service. We already have concrete locations in mind, for example in southern Germany.

A restructuring in production and transport organization, which was implemented in July, should also bring us more stability and higher speeds. This is the basis for growth, also with the forest products industry.

What are your plans for the future with regard to the pulp and paper industry strategy?

We have a clear phase plan up to 2025. Several sub-projects will be implemented in 2021 and 2022. COVID-19 slowed us down for a short time, but we have long since returned to high speed to keep pace with market developments and to take advantage of the decade of shifting from road to rail.

DB Cargo intends to provide the mills with easy access to the European rail network



2.6 million tonnes of wood are transported per year



We can only invite every industrial forest products company and specialist logistics company in Europe to join us. Do you want to build new capacities, develop new business models, design new logistics systems? Please inform us as early as possible. Then we will partner with you through the planning process, provide specialist rail know-how and solution options for sustainable transport. And we do this with a team of experts that we set up to meet the individual needs of our customers.

How has the COVID-19 pandemic fundamentally affected DB Cargo's business?

We have noticed a significant decline in business since March. We have experienced major losses in the automotive sector in particular.

In the forest products segment it was somewhat different. We got off to a strong start in the first quarter of 2020 and then, with a time lag, we started to decline from mid-April onwards. However, not all companies in the forest products sector were affected.

Overall, we are likely to be missing up to 10 per cent of the volumes and revenues in the industry's final accounts. When the COVID-19 pandemic appeared in the spring, we consulted with each other and carried out crisis management. Customers from the forest products sector asked with concern whether we would still be able to deliver, as we have done to date. And we continued to operate stably at high frequencies. At the same time, we provided good protection for our key personnel and pushed digital work in the home office

wherever possible. We have shown that rail freight transport is a reliable backbone of the economy, even when trucks got stuck at the borders.

The hoarding of tissue paper was a global issue ...

If you talk about tissue, that was adventurous. The Germans stashed tissue products like crazy. For two weeks there was hardly any toilet paper and kitchen towel to buy in the supermarket. Then the tissue mills kept the machines running fully and the amount of pulp increased rapidly. However, in-house production was not enough. Even during the border closures, considerable quantities of tissue parent rolls were ordered in Italy, for several converters.

Italy was on the verge of lockdown and we

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suddenly had to provide loading space for the Italian paper industry. Together with our cooperation partner we optimized the available loading space within a few days. That's when the inquiries from the food sector arrived, with which we competed for the scarce loading space: pasta for Germany. Both sectors competed for the increasingly scarce resource of loading space.

But we also managed to meet this challenge. It was a great help to us that in Stephan Sulser we have a divisional manager who is responsible for both sectors, pulp & paper and consumer goods. We were able to make decisions very quickly, almost like in a medium-sized company. We drove without interruption. However, after three or four weeks the flow of goods was back to normal, because no household can double its toilet paper consumption in the long term.



DB Cargo is working on an ETA forecast using artificial intelligence

A collage of four images related to Port Tarragona. The top-left image shows a blue truck with 'URJPORTS' branding parked in front of a large industrial building. The top-right image shows a large stack of brown paper rolls. The middle image is a wide-angle view of the port's harbor, showing several large white industrial buildings along the waterfront and a large ship docked. The bottom-left image shows a close-up of a ship's deck with a yellow crane and white cargo. The bottom-right image shows a long pier with a large ship docked, with the text 'Your pulp & paper Mediterranean hub' overlaid in white.

Port
Tarragona



Port Tarragona
www.porttarragona.cat



Your pulp & paper
Mediterranean hub



Digitalization is a core issue

The dry summers of recent years, with low water levels in the Rhine, have certainly left their mark on you as a transport alternative. How do you basically position yourself for extraordinary events?

Well, during the intensive COVID-19 phase we have impressively proved that we are extraordinarily agile and stable. The water level of the Rhine presents us with just as great a challenge as COVID-19, if not even greater. The dry summers will increase according to the forecasts of all scientists. This is a major risk for all supply chains that have a high proportion of inland waterway services. Here I would particularly highlight pulp, but also paper destined for overseas, which is packed in containers. To rely entirely on the Rhine is actually no longer appropriate.

However, DB Cargo cannot keep resources available until an emergency occurs in terms of water levels on the Rhine, when it can offer a quick backup solution. But if you decide in time, you can get a supply chain from us. However, this requires advance notice. In addition to the tried and tested transfer of pulp volumes to a non-affected port in Germany, such as Brake or Emden, we can also offer solutions for western ports such as Vlissingen. Those who permanently transfer partial quantities to rail allow us to reserve and bind resources and to drive them past the marshalling yards and low

water congestion, bundled into the European network, with our Pulp Sprinters.

How far is DB Cargo positioned with regard to the so-called "New Chinese Silk Road", in principle and with regard to the forest-based industry?

DB Cargo is very well positioned here. We maintain good contacts with our office in Shanghai and the head office of DB Cargo Eurasia in Berlin. There are now countless departures in both directions for various industries. My dream: an Asia Sprinter for pulp and paper to China. In fact, we have only run small quantities in the forest products division so far. But these have gone smoothly. In our industry, the country solution is still underestimated.

It is certainly an obstacle that many Chinese suppliers only deliver to the Chinese port. This means that there is no cost and transit time transparency along the entire transport chain. Customers, especially those in the interior of China can be served excellently and inexpensively by rail, and without time-consuming interfaces at the often congested ports. Moreover, this solution is fast and reliable. A transit time of 15 to 16 days from the European terminal to the inland terminal in China is achieved. Partial quantities by land are a good and competitive solution. Our logistics cooperation partners already have an eye on our business model and want to develop solutions to-

gether with us. Anyone who would like to know more about this is welcome to contact us.

Where do you see the particular strengths of rail with regard to the transport of wood-based products?

Our strengths are that we maintain the network with the industry and its service providers and have expanded it even more in recent years. And we listen carefully. Sometimes I call a business partner in Austria, who travels globally for the industry on the shipper side, and ask him: 'How do you see the development on the market, what does it take?' Or I ask the management of the largest specialist forwarding company for forest products in Europe, with whom we work closely, for their opinion. Their organization is also in close contact with customers and I value their opinion very much. Or, we can speak with one of the cooperating terminals and the other specialist forwarders or one of the multipliers of the shippers in the network. My colleague Jürgen Röher maintains close contacts with the paper associations. We want the personal exchange to understand.

And of course, as Europe's largest rail logistics provider, we also have other advantages: In addition to enormous competence in rail systems, we also have a wealth of resources in terms of locomotives, equipment and personnel. This way we can dovetail well and the forest products industry benefits from this. For example, when we drive a DB Cargo Pulp Sprinter to Austria, it does not have to return empty. Other shippers fill these wagons with paper or consumer goods on the way back. This relieves the industry of fixed costs in rail transport.

And then we have another unique advantage to offer: We can arrange block trains with our customers and at the same time drive scalable groups of wagons in a single wagon network: on request at a combined price. Our DB Cargo Pulp Sprinters deliver speed and flexibility with cost transparency and security. In addition, rail transport offers savings for the customer due to lower transaction costs in dispatching or dispatching, because one rail wagon can carry the volume of up to 2.5 trucks, as well as cost efficiency at the loading and unloading points, because the gangway is more balanced for the loading crews.

And where are the weaknesses?

The weakness is clearly visible in the near past. We often did not believe in ourselves. Rail infrastructure and resources have been continuously reduced. Investments in the rail system have been neglected. In some cases we have also been slightly resigned to the political framework conditions and the cost disadvantages for rail freight transport in direct comparison with inland waterways - keyword: duty-free Rhine; or in comparison with trucks - keyword: external costs in road freight transport.

Times are changing. The political framework is moving in the direction of rail and we have a new CEO, Sigrid Nikutta. She is committed to absolutely professional performance and growth. For forest products, I can say that we have been waiting for this, we are prepared and we put our heart and soul into it.

From your point of view, what makes working with companies in the forest-based industry so special?

We are nothing without the forest-based industry, we are service providers. But together we develop uncanny forces that lead to good solutions. The old system with truck tenders is often simply continued in a linear fashion, without using individual concepts for transactions. This still works to a limited extent, but as a sole instrument it is no longer up to date. We have numerous examples from the forest-based sector, which no longer wants this either. Our customers want to optimize the system holistically, question old practices and align structures for the future. This creates added value for the industry, even if we do not get all the transports. What is important to us is an optimal system involving DB Cargo and the combination of road and rail and, as mentioned above, where it makes sense, also with the barge.

How important is the issue of sustainability to customers?

The interest is growing. The wood-based industry is making greater efforts to achieve sustainable wood management and production, but there is still room for improvement in the area of external logistics. Many companies are in favour of climate protection, but the cost pressure in the



Rail freight transport is particularly suitable for sustainable products

industry is high and in the logistics sector cost must be as minimized as possible. Considerable sums have been invested in climate protection in production, but logistics is still somewhat left out in some areas. Rail freight transport is particularly suitable for sustainable products from the forest industry, as it is not only environmentally friendly but can even offer CO₂-free services.

What role does increasing digitalization play for DB Cargo?

This is a core issue on which we are working at full speed. We have already made great efforts to improve interfaces with customers and automate standard processes. We are moving towards intelligent locomotives and freight cars. Already, all cars in the pulp & paper area are equipped with environmentally friendly whisper brakes and are being converted step by step into intelligent cars. An intelligent freight car provides us with information about its location, the loading status or even whether a workshop visit is due. This will help us to move forward. It will significantly improve service and reliability for our customers. We are also working on an international track & trace service and an ETA forecast using artificial intelligence.

Where do you see DB Cargo in five and 10 years' time with regard to the forest-based industry?

I see us as a systemic and strategic logistics partner in Europe and to some extent in Asia. I see investments in new optimized rail resources

for our industry. I see joint investments in efficient digital interfaces and physical infrastructure. I see wagons optimised for the industry. I see secured resources when the big run on rail begins. I see us as a reliable companion for our industry into the future.

What is your personal relationship with pulp and paper products?

I am probably what you would call an "enthusiast". It all started when I was a young logistician and was allowed to draw up a transport concept for a paper mill. There was a sign at the factory gate: "Plastic is not allowed in this area. Quite topical!"

Then I was impressed by the Scandinavian manufacturers in Sweden, with whom I developed an efficient rail system as the responsible product manager.

A little private story: I was in southern Sweden with my family on a summer tour. Suddenly I see the steam plume of a pulp mill. No doubt Södra; that's where I have to go. When we are on the road, I always know where the paper mills are or the relevant ports. I don't know why, my heart beats for the forest products industry. Maybe that is my destiny: When I hear a paper machine "sing", it is okay. When DB Cargo delivers the raw material, I am satisfied. Then I assume that the paper machine gets its fodder reliably!

Thank you for the interview!

Koehler has adopted a sustainable logistics concept

RAIL INSTEAD OF ROAD: INVESTING 1 MILLION EUROS

By *SUSANNE HAASE, Editor, IFPTA Journal*

As part of sustainable logistics concepts and to increase the security of supply of its most important raw material -- pulp -- German paper producer Koehler is increasingly turning to rail.

The Koehler Paper Group is an internationally active manufacturer of specialty paper. The family-run company with its headquarters in Oberkirch, located in the southwest near the Black Forest, produces more than 500,000 t/y of paper, cardboard and groundwood pulp paper at four locations in Germany. Its products include thermal paper, carbonless paper, decor paper, fine paper, recycled paper, groundwood pulp board and flexible packaging paper.

The investments made as part of the new logistics concept totalled 1 million euros. Since the beginning of the year, three to four block trains a week have replaced up to 15 deliveries a day by truck. The trains are loaded at the Port of Brake in Lower Saxony, where the ships from overseas arrive with their pulp cargoes. Afterwards, the train travels south in the so-called night jump. With the aptly titled "Pulp Sprinter", which is also sometimes referred to as the "Koehler Sprinter" within the railway, optimal running times, low idle times and loading space stability are now guaranteed.

PERFECT COMBINATION

The increasing periods of low water in the Rhine in recent years formed the background for an adjustment of transport logistics to secure the supply chain. The increased use of rail has increased supply security, reduced local truck traffic and at the same time improved the environmental balance: A perfect combination from the company's point of view.

Without water there is no raw material and no production. This is exactly what the Koehler

Paper Group felt noticeably during the 2018 low water period. At that time, the manufacturer was faced with a major problem: the Kehl site could not always be comprehensively supplied with pulp. In addition, the installation of a new paper machine was planned for autumn 2019, which would increase the pulp demand by 25%.

This meant: For the operation of what is currently probably the most modern and efficient paper and coating machines in the world, a future-oriented supplement to the transport logistics was necessary; to ensure, on the one hand, the increased demand for pulp and, on the other hand, regular raw material deliveries even during periods of low water. It soon became clear that pulp supply by rail was the ideal solution and that this area should be promoted sustainably.

A GREAT CHALLENGE

The decision was, however, linked to a number of challenges, especially with regard to infrastructure. Although the Koehler plant in Kehl had a rail siding, it was designed exclusively for small transports; a maximum of two wagons could be served there at the same time. In recent years, a maximum of 30,000 tonnes were handled by rail. The new goal was to transfer at least one third of the 450,000 tonnes of pulp required per year to rail and to increase this share year after year.

In an interview with the *IFPTA Journal*, Klaus Krieg, head of supply chain management at the Koehler Paper Group, who played a key role in the development of the new concept, explains the exact background and the path to the appropriate solution.

What was the logistics structure at Koehler like before the investment in rail?

Klaus Krieg: In the particularly dry and dry



All pictures: Koehler Paper

Klaus Krieg, head of supply chain management at the Koehler Paper Group

summer of 2018, we had to find out that the supply of raw materials via the Rhine transport rail, i.e. by inland waterway vessel, was no longer functioning or was no longer sufficient. In addition, freight costs for maintaining the supply were rising dramatically at that time, amounting to several million euros. Since both locations in Kehl and Oberkirch are connected to the DB network by railway sidings, we have begun making great efforts to increase the proportion of deliveries by rail from summer 2018. Unfortunately, the wagons were in short supply, and local shunting capacities were also overstretched. At that time, the decision was made to significantly strengthen the logistical connection of the plants in Kehl and Oberkirch by rail.

Surely the commissioning of the new paper machine also played a role in the development of new approaches?

Particularly in view of the experience gained



Andreas Riedlinger, head of logistics at Koehler Paper



Koehler Paper also invested in a shunting robot

Pictures: DB Cargo Martin Reiser

in 2018, we specifically planned a local relief of truck traffic at the Kehl site in connection with the new PM 8 construction. An internal logistics study showed at the time that without special measures, there would have been an increase in site-related truck traffic at the Kehl mill of more than 25 per cent. Targeted adjustments to rail logistics and changes in the supply of raw materials through onsite processes succeeded in avoiding this increase. We will soon achieve additional relief through further measures at the plant and on the plant access road.

How has the logistics division at Koehler basically developed over the years?

We rely heavily on automation through solutions in load management, for example from

Transporeon, in combined transport as well as in the area of yard management systems. Here we work with INCONSO.

Could you briefly outline the concepts at the other company locations?

At the Oberkirch site, we will increase the rail share of the raw material pulp by 10 to 15 per cent from the second half of 2020 by using the Pulp Sprinter. At the same time, we are examining whether we can transfer various liquid products from truck tankers to rail cars. This would require a second provision by DB Cargo, but this provision would then have to be incorporated into the passenger transport timetable, which is not easy.

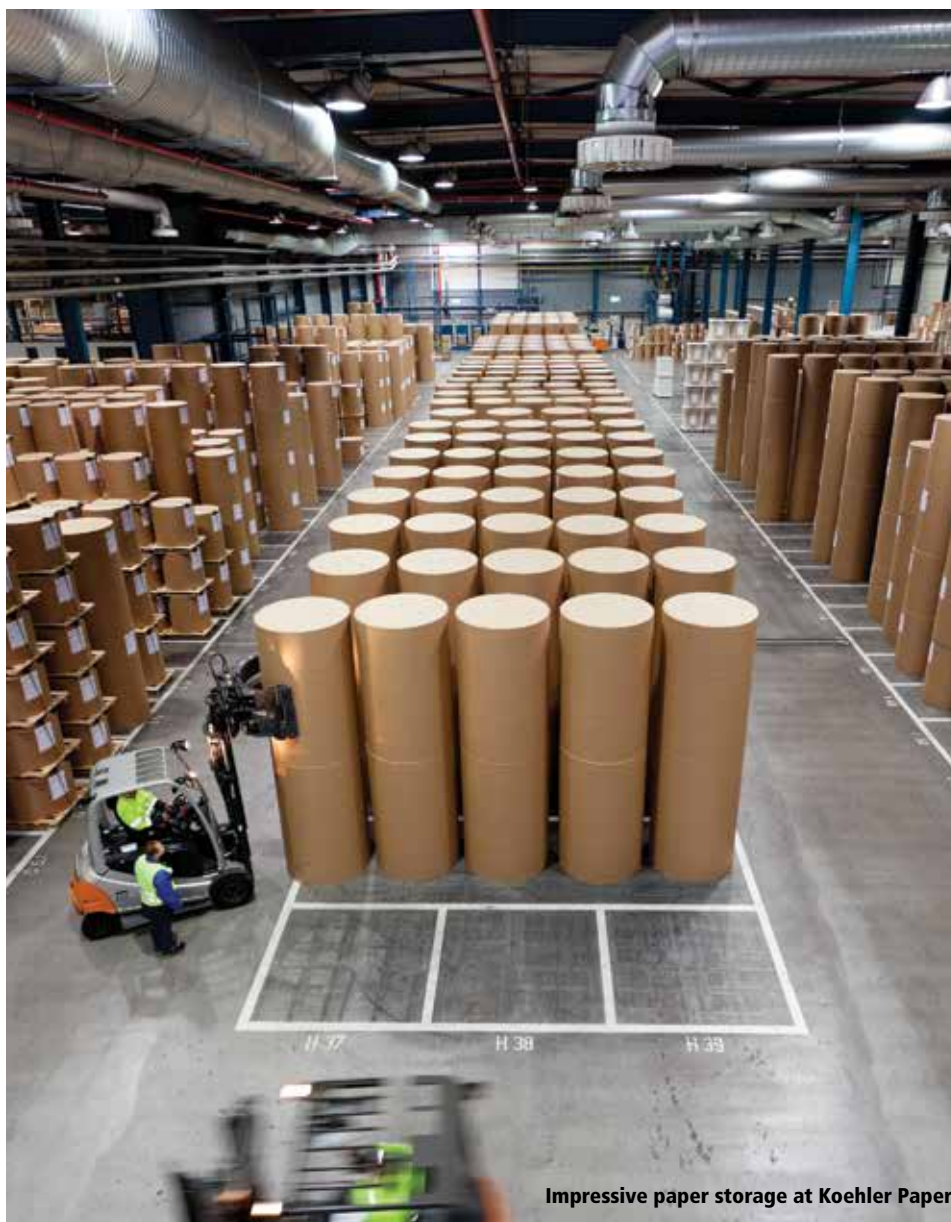
At the Greiz site we cannot make any changes due to the road connection. However,

we have had our eyes on a steady increase in capacity utilization there for years.

In Weisenbach, too, at our KATZ plant, there are unfortunately few possibilities for traffic optimization. We recently decided to carry out a small logistics study to model and optimize the logistics processes close to the site.

How important is the topic of sustainability with regard to logistics? Although the focus was on transport safety, is the issue of sustainability likely to be an important factor?

International container shipping was switched over to so-called low-sulphur fuels at the beginning of 2020. There are still too few ships with LNG, and in the medium term we are demanding proof from our partners about



Impressive paper storage at Koehler Paper

Specialty papers for customers all over the world

Koehler Paper can look back on a company history of more than 210 years and, with a turnover of over 800 million euros, is today one of the few independent German family-owned companies in the paper industry. At the headquarters in Oberkirch and the plants in Kehl, Greiz and Weisenbach, around 1,800 employees produce more than 500,000 t/y of specialty papers and cardboard using the latest technology for the global market.

The new paper machine at the Kehl site produced its first paper roll in October 2019. The company has invested around 300 million euros in the production plant for flexible packaging papers. The 150-m long paper machine has a working width of 4.2 meters and reaches speeds of 1,500 m/min. Its heart is a Yankee cylinder with a diameter of over 7.3 meters, the largest of its kind in the world. It gives the paper a unique smoothness, which is very important for further processing.

the emission of the pollutants -- for container ships as well as trucks -- but here we still have to develop models for the digital recording of the data.

How important do you think long-term partnerships are for the logistics sector?

Logistics already plays a very important role in the paper industry, especially in terms of processing quality: freight forwarders are aware of the exact requirements of the shipper and the recipient. Here our logistics service constantly receives good marks, also from the customer side. We have a complaint rate of 0.55 per cent and a very low claims rate of 0.28 per cent.

You have worked with DB Cargo and FMS in the course of the investment and reorientation of transport logistics. In your opinion, what are the special features of these partners?

The Ministry of Transport has a master plan for "rail freight transport", the aim of which is to coordinate measures to increase the modal split "rail". DB Cargo and FMS are currently developing a concept with our Koehler logistics experts that will enable us to transfer further shares to rail. The main challenge is that we have almost no connection to the railways on the customer side, including direct reception of the wagons.

We also have to ensure that the high-quality papers that Koehler produces are not damaged during loading or during transport in wagons. To this end, we have defined a working group with the companies mentioned, which is to draw up proposals by the end of 2020. We will then clarify which of these proposals will be technically, ecologically and economically feasible. However, I would also like to warn here against placing too great an emphasis on short-term expectations

As a paper manufacturer, where do you see the greatest challenges in terms of transporting your products?

Here, the proof of transport with as few pollutants as possible and the use of the highest possible capacity utilization should be mentioned. We are clearly in favor of increasing the

payload to 44 tonnes in Germany. In other European countries such as France, Belgium and Luxembourg, for example, 44 tonnes apply to inland transport, and as much as 50 tonnes in Holland. In Scandinavian countries such as Norway and Sweden, 60 tonnes are permitted, and in Finland as much as 76 tonnes. An increase in Germany to 44 tonnes would therefore save 15 per cent of journeys and reduce pollutant emissions accordingly. Our national association of German paper manufacturers and the Federation of German Industries, BDI, have joined forces in an initiative to support the basic possibility of reducing vehicle traffic in combined transport by increasing weight.

The increase in the proportion of multi-modal transport in the southeast direction, across the Alps, also plays a role. Countries such as Romania, Bulgaria and Turkey are already served by rail. Italy will follow later; there is already a lack of train path capacity there today. We have to prepare the entire process chain very well, from loading to transport to the recipient, and we will not see any massive and rapid changes. Above all, customers expect high reliability and punctuality.

To what extent do digital possibilities play a role in terms of logistics and processing of customer deliveries?

Although the use of digital transport order processing is not yet a standard, it is already being tested in applications. The aim is to regularly provide customers with information from our ERP system on a regular basis in the future, if they so wish.

What considerations will play a role at Koehler in the future development of logistics concepts?

The further improvement of sustainability in transport, an ongoing reduction of specific CO₂ emissions, digital processes in the entire order processing; also trailer yard concepts at the locations as well as the optimization of the process efforts in the areas of provision, loading and dispatch would be mentioned here.

Thank you for the interview!



The new PM 8 was just started up



Aerial view of the mill in Kehl, Germany

PaperSeed continues to serve children in need and support is crucial especially in light of the COVID pandemic

WE MAKE A LIFE BY WHAT WE GIVE

By SUSANNE HAASE, Editor, IFPTA Journal

PaperSeed envisions a world where all children have the opportunity to obtain a quality education and believes that local leaders know best how to improve their own communities. As such, the foundation is eager to partner with strong local leaders and community based organizations that have well defined, goal-orientated projects for the direct benefit of children and young people in their communities.

Some years ago, *IFPTA Journal* reported for the first time about this ambitious project, especially as it is based on a unique partnership with CellMark. The company, a long-time IFPTA member, and one of the world's foremost providers of supply chain services to the pulp and paper industry, underwrites all operating and administrative expenses for the foundation, thus allowing 100 per cent of donations to directly benefit innovative leaders, entrepreneurs, and projects working to strengthen education.

As collaboration with the pulp and paper industry and its suppliers has further intensified, *IFPTA Journal* talked to Paperseed executive director Aliyya Shelley Mattos and learned more about the social impact partnership with Hawkins Wright, a UK-based consultancy dedicated to the international pulp industry.

IFPTA: Please tell us more about the latest state of play. Did more companies from the forest-based industry get involved with PaperSeed?

Aliyya Shelley Mattos: Working in partnership is fundamental to our core philosophy; we truly believe that orchestrating an ecosystem of change starts with trust, transparency and partnership. We are grateful to our partners in all corners of the globe, and one of the very first social impact partners to join us was Hawkins Wright.



All pictures: PaperSeed

Paperseed executive director Aliyya Shelly Mattos at a project in China that is supported by Hawkins Wright



When did this partnership started?

We have been a social impact partner of Hawkins Wright since 2014. Tom Wright, the managing director, and I happened to both be at the Paperex Tradeshow in New Delhi, India, in November 2013. I had the good fortune to sit next to Tom at a dinner one evening. During the course of the evening, over some very tasty offerings at the Bukhara Restaurant at the ITC Maurya Hotel, we realized that despite our different goals, there exists an inherent similarity to our work: both Hawkins Wright and PaperSeed are information gatherers and industry evaluators with an unrivalled network of trusted contacts.

While Hawkins Wright is a trusted source of market intelligence for the pulp, paper and bio-energy industries, PaperSeed is a trusted source of information and connection to local community organizations working to strengthen education for children.

Honestly, I think what really sets PaperSeed apart and what appealed to Tom, is our commitment to rigor and that 100 per cent of all financial support we receive goes directly to helping kids. Well, that and I was traveling around India while six months pregnant with my first child, which I think showed just how passionate and committed I am to this work. While I have lived and worked in developing countries for many years, when I became I pregnant -- and now as the proud mother of three small children -- the urgency of helping kids in challenging circumstances reach their potential has come even more clearly into focus for me.

How was the project chosen or set up?

Every year during Paper Week, Hawkins Wright holds a symposium in Shanghai. When Tom and I discussed what type of project would be meaningful for Hawkins Wright employees and stakeholders, it became clear that supporting children in China would be a good fit, especially as a portion of every ticket sold at the Shanghai Symposium is donated to PaperSeed.

Our approach to partnership is based on a foundation of respect for the language, culture, and knowledge in every community we seek to work in. We also don't want to reinvent the



Supporting children and students in China was a good fit for the pulp market consultants

wheel and, as such, PaperSeed seeks out existing organizations to partner with, rather than constantly starting something new. Working in partnership affords us the opportunity to ensure long-term sustainability of the projects we support and provide mentorship to smaller local organizations to help them become even stronger.

After our initial conversations about priorities, PaperSeed leveraged our global network to seek out and vet appropriate nonprofit projects that matched the criteria. Once we found something that felt like it would be a good fit for everyone, we presented the project to Hawkins Wright for approval. Once approved, PaperSeed conducted due diligence to ensure compliance requirements were met.

What exactly did the company have to do?

Each social impact partnership is different, as all of our partners are unique and looking for different ways to engage. Some companies are interested in outsourcing their corporate social responsibility to PaperSeed, are eager for employees to visit or volunteer directly with projects and/or receive comprehensive white label reports to share broadly with their stakeholders, whereas others are more interested in some-

thing more simple like receiving annual reports on their yearly contributions with less engagement or time spent in the weeds.

In the case of Hawkins Wright, they had minimal time investment beyond sharing what their requirements for the project were, providing time on the agenda of their conference to update attendees and read the reports we sent them outlining their good work. They donated a percentage of ticket sales from their symposium to PaperSeed via wire transfer after the event and we worked quickly to get 100 per cent of those donated funds into the community and to work.

What did this engagement set in motion?

PaperSeed and Hawkins Wright have worked together in partnership since 2014, and as such, have done several projects together beginning with key facilities upgrades for rural primary schools, including the construction of a new libraries and computer labs, and the provision of new books and computers. These upgrades ensured students are better equipped for learning success and prepared students to enter the workforce with necessary 21st Century skills. Our social impact partnership has also included business training for young people, mentoring and rigorous action planning for

young people to obtain gainful employment, start a business or pursue higher education.

Most recently we have been partnering on a program that provides teacher training and professional experience for university students. What makes this program special is that the university students -- considered direct beneficiaries in this instance -- receive specialized teacher training, then take what they learned and live and work as volunteer teachers in a rural village for a summer or winter intersession. In doing so, these students get hands-on job training as teachers while providing over one hundred hours of additional instruction to the rural primary school students.

Our ongoing partnership with Hawkins Wright has enabled us to make a multi-year investment in this particular project. After the program's pilot year, our partners in Yunnan Province reported back increased demand from the villages they served; each village got one or two university students, and neighboring villages, which couldn't be included in the first round were eager to join and have their children benefit from the increased instruction hours. We have watched this program scale up over the years and are proud to have been directly responsible for its growth.

What changed for the company by getting involved? How did the employees react?

Hawkins Wright is a small company, but one with global reach. Employees were inspired by the support of the company and felt energized that their hard work could provide hope and opportunity to children who are living in tough circumstances. There is a Winston Churchill quote I often include in presentations because it really resonates with me: "We make a living by what we get, but we make a life by what we give." I think PaperSeed empowers employees to make a difference in the world just by choosing an employer who makes corporate social responsibility and sustainability central to their organization.

What does PaperSeed do for a partner company in order to make sure that this engagement becomes visible?

We want to make sure that the generosity of Hawkins Wright and the positive impact that



A portion of every ticket sold at the Shanghai Symposium is donated

Hawkins Wright has enabled a multi-year investment in a particular project



they are having on the world is known beyond the children and young people receiving assistance. We have shared the message of their passion for helping support children by providing text for their website and content to share with their stakeholders in electronic or written communications, in addition to high quality photographs that have permission to be shared.

PaperSeed also makes certain to credit our generous partners for the work they make possible, and this credit takes many forms. Any mention of the project online links out to Hawkins Wright and directly thanks them for their contribution, and we make certain to tag them on the appropriate channels whenever we share information, pictures, or statistics from projects they have funded. We are always so

excited to highlight our partnerships, as we feel that PaperSeed is in a truly unique position to bring businesses together with small, community-based organizations, and we hope that our social media presence inspires others to join us.

What is the situation today, especially given the challenging situation after the COVID-19 outbreak?

The situation today is dire. Over one billion children have been affected by school closures; for some it was an inconvenience and a challenge to continue learning remotely through Zoom or other types of technology platforms. For others around the globe, it will most likely be the end of their learning journey. Education is a fundamental human right and for many of the world's most vulnerable communities, the pandemic will erase decades of progress.

We launched a COVID-19 Rapid Response Grant initiative to support communities to get resources to the front lines as quickly and efficiently as possible, including access to educational materials, nutrition and/or sanitary supplies. We are seeking sponsors to help us move from crisis response to rehabilitation and to rebuilding education.

Hawkins Wright had to cancel their symposium this year, which was a very difficult decision to make. As such, we have had to pause some activities that were planned due to the pandemic but have had the opportunity to start others. Even in this phase of uncertainty, there is clarity that a healthy economy and future will be the result of well-educated children. Our goal is to connect caring leaders and organizations in forestry products to meaningful projects that help kids; children are the future workforce, consumers and participants of the global economy.

The devastating effects of the pandemic will be widespread and felt for years to come, but for our partners from the Yunnan Province to the Atlas Mountains, from Hawkins Wright to Sappi and the great many others, we are ready to seize the opportunity to break the cycle of poverty through education...even if it means we will have to meet on Zoom for now while doing so.

Thank you for the interview!

collaborate



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Mercer's takeover of DMI's pulp mills in Canada has been relatively headache-free

PATIENCE PLAYS A ROLE IN A SUCCESSFUL M&A

By GRAEME RODDEN

When it comes to mergers and acquisitions, one of the key words always cited is synergies. But, another one should be patience.

In 2018, Mercer purchased the Daishowa-Marubeni (DMI) interests in two Canadian kraft pulp mills: Cariboo (BC) and Peace River (Alberta). Combined they produce about 645,000 t/y. This brought Mercer's total pulp capacity to more than 2 million t/y. The company already owned pulp mills in Canada (Celgar, BC) and Germany (Stendal and Rosenthal).

Paul Terry is director of logistics and sales planning, North America and Asia, for Mercer, based in Vancouver, although since the onset of the COVID-19 pandemic, he has been working at home, "quite well," he adds.

Having gone through the M&A process with another pulp and paper producer before he joined Mercer, he has some valuable insights on what makes a successful M&A project.

At the beginning, "We ran in parallel," Terry says about sales and logistics, although integrating staff into the Mercer "culture" (sales, operations, etc) began at once.

"We also had to learn the DMI model to be able to integrate it into the Mercer model. We could not just go in and change systems. All people and systems stayed in place but with new Mercer directives."

DMI was part of the Marubeni group and its business model was to sell pulp and manage sales through its agents: Marubeni Asia for Asia; Marubeni US for the US. In effect, the Canadian mills only had two customers. They only had to fulfill orders from an agent. They did not really have contact with the end user.

"When we came on board, we implemented changes to more closely follow our model," Terry explains.



Picture: Shutterstock

Mercer took over Chinese sales so its agent sells product from all of Mercer's North American mills. As Marubeni is Japanese based, it still sells the pulp in Japan as well as the rest of Asia.

In the US, Marubeni US had all the contact with the American customers. Basically, the mills shipped to the Canada:US border and the agent took over from there.

The Mercer model has one US agent who handles all Mercer's production. The representative was given responsibility for the Peace River pulp as well. Instead of one customer – Marubeni US – the mill has many customers and had to reset its service model using the Mercer system, although Terry notes that there were many Peace River customers who were already dealing with Mercer as well.

A NEW PRODUCT TO SELL

One change was hardwood pulp. Mercer did not make it in Celgar but Peace River is a swing mill. "Hardwood pulp was a new business segment to us," Terry says, "so we had to integrate it into our sales."

In effect, with the merger, the mill had some new customers and the sales agent had a new mill and a new product to sell. There were new customers but some were already dealing with Mercer so the transition was easy.

When asked what Mercer had to do to integrate logistics/transport procedures, Terry said it was more a question of letting the businesses "run as usual", thus underscoring the importance of patience. "You need to get to understand their way of doing business, find the best practices, look for synergies."

As Terry has said, one benefit was that many customers were already dealing with Mercer so a level of comfort already existed. Even on the hardwood side, many end users were mixing their furnish so were already known to Mercer. This was the case no matter the region: US, Canada, Asia. "The customer base did not change dramatically," Terry adds.

When it came to carriers, Peace River's ocean carriers were the same as Mercer's so it was just a case of adding Mercer to the existing Peace River contract.

The mills use different rail carriers (CP for



Picture: CN Rail

CN Rail serves the Peace River mill which Mercer acquired

Celgar; CN Rail for Peace River). With only one railway serving each mill, it can be a problem if the railway "shorts" the mill. Very little pulp is transported by truck as the mills deal mostly with long hauls to ports or customers.

One important aspect is that the mills could not mix and match orders, that is, Celgar pulp could not be a substitute for Peace River pulp. The species mix is different at all three locations. And, the finished product, be it paper or tissue, is always qualified on specific parameters and they are not interchangeable.

For hardwood, Peace River produces aspen pulp and it is used as a eucalyptus substitute so a lot depends on market availability and price, Terry adds.

THERE WILL BE ISSUES

Of course, in any M&A, there will be challenges. But, Terry stresses, "You still want to keep your customers and you want to continue the relationships."

"It opens your eyes when you go through an

A JV was part of the mix

Although two mills were involved in the sale, DMI's involvement with Cariboo was a 50:50 joint venture with West Fraser. Therefore, Mercer is now in a JV with West Fraser. Logistically, there were no changes because West Fraser is the operating partner for the mill. "We own and market 50 per cent of the mill's output," Terry says.

acquisition. Don't rely on what you always did." He again cited the example of the rail carriers. "You need to build the relationship with the carrier. You can't go in and just turn things upside down."

In building a new relationship, sometimes the customer teaches the producer. "It's all about trying to foster a relationship and improve things," Terry adds.

On the supply side, rail and ocean contracts had already been assigned so Mercer had to see them through before any changes could be contemplated.

And, don't forget, there is apprehension on the other side as well. "We had to reassure them as long as we were satisfied," Terry says.

Weather can also play a part as pulp mills are usually located in far flung rural locales. Peace River can suffer through extremely cold winters affecting rail traffic, something Terry had to be aware of, whereas with Celgar, heavy snowfalls can prove a problem.

He advises that a significant amount of time is needed to go through all the minutiae of a merger. "You have to be able to rely on all resources all the time as a pulp mill runs 24/7."

At the beginning it is best not to change things for the sake of change but to take the time to see how things shake out.

A SMOOTH BUT ONGOING PROCESS

Overall, Terry calls it a good integration. "I think the employees are glad to be owned by a company that is a pulp producer based in Canada, not an overseas conglomerate. They were excited to see how it would go."

The merger process has gone quickly and smoothly although it's not over yet. There are still things to do. For example, some systems need to be changed so Peace River can be on the same technical platforms as the rest of Mercer. For example, Celgar is SAP-based; Peace River is not. "We are doing the integration now," Terry says. "It usually takes a couple of years."

For sales and order entry, work is ongoing to integrate two systems into one so as to avoid duplication of effort.

Still, Terry states that it was a good experience that went relatively easily. "Everyone looked forward to the change."

Standardizing ERP systems after a merger/acquisition is not always necessary

COMPLETE TRANSPARENCY FOR CRYSTAL CLEAR DECISIONS

An IPFTA Journal Special Report

Global companies that didn't grow organically but expanded through mergers and acquisitions don't need to standardize their ERP systems in order to optimize the processes across their individual locations. Using a unified supply chain management (SCM) system based on advanced planning and scheduling (APS) tools across all locations will suffice completely.

APS tools like DISCOVER, which the Sihl Group recently installed to optimize its global supply chain, allow the company to interact with the different ERP systems of the individual locations as if it was one single site.

The Sihl Group is an international leader in printable media for the growing worldwide digital printing market – from photographic paper to wallpaper, art print media, tickets, labels and packaging. Since Sihl is offering its customers a globally unique product portfolio and range of experience, it has quickly established itself as a single source provider. Customers and partners alike profit from the company's technologically advanced products and innovative process improvement services to optimize value creation. Every day, over 450 employees are working hard at the main company locations in Berne, Switzerland, Düren, Germany, and Fiskeville near Boston, MA, to achieve this goal. In 2018, Sihl had a turnover of Euro 125 million and shipped more than 65,000 deliveries to over 1,000 customers across the globe.

CHALLENGE 1: GLOBAL STOCK TRANSPARENCY

One of Sihl's organizational challenges is multi-level production at three different sites that use a variety of recipes with long bills of materials. Consequently, any demand for new finished goods triggers many purchasing and pre-production demands across all sites. Until recently, Sihl had not been able to organize their global production as if



Sihl storage in Bern, Switzerland

All pictures: Sihl

it was one company since the group had been created through acquisitions. Hence, every location had been operating largely independently, with relations between the different sites resembling those of customers/suppliers, meaning that, for the most part, they were handled by the ERP ordering system. As a result, stock transparency across the locations was rather limited.

CHALLENGE 2: GLOBALLY VISIBLE SHARED SUPPLY CHAIN

Of course, it was possible to aggregate different stocks using the individual ERP systems of each location. However, it was not possible to gain any transparency concerning the inventory of finished and semi-finished goods or chemical components, which would allow a central view of the global supply chain. Consequently,

production of some items had been increased or decreased rather arbitrarily following gut instinct, since no transparent data on inventory levels or reliable demand forecasts were available. As this situation offered a lot of room for improvement, Sihl's management set itself the goal of creating more transparency concerning existing and future stocks across all locations.

For example, it should be possible for the staff in Düren to manage the restocking of the inventory in the US – inline with predefined stock and service targets – as if it were the inventory in Germany. Today, Düren can react to demand fluctuations in the USA even before the sister company's orders have arrived. The advantage is evident: the improved transparency and visibility enable the entire group to operate more efficiently. The next step was to con-

solidate the separate planning and scheduling methods of each individual location into one system. This is quite easily done, if the different locations use the same ERP system. But for the historic reason of having evolved through various acquisitions, every Sihl location used a different ERP system to plan its resources.

MERGING THREE ERP SYSTEMS IS EXTREMELY LABORIOUS

While Düren in Germany uses SAP, the Swiss site in Berne operates on an MS Access based solution and Fiskeville in the US works with a Sage 3 platform plus various modules of other origin. Hence, to unify the ERP systems, two of the three systems would have had to be given up and replaced. This would have triggered extremely laborious and intricate change management processes at the affected sites, compromising their efficiency for months and in some respects even for years. Therefore, the best and easiest solution was to implement an adaptive supply chain management system that interacts with all three ERP systems to unify the planning and scheduling methods. Other advantages of this solution are the economic benefit and a significant improvement of the data quality.



Fabian Ossen, supply chain manager at Sihl in Düren

SUPPLY CHAIN MANAGEMENT SOFTWARE IS THE ANSWER

Today, Sihl uses an SCM system based on the APS tool DISCOVER SCO from SCT GmbH to consolidate and integrate planning. DISCOVER downloads the required data from all three ERP systems, computes planned demand based on the daily updated forecasts and uploads the results back into each ERP system. Within DISCOVER, the entire demand is now planned

and scheduled globally. The system knows the individual supply relationships between the locations – down to the bill of materials (BOM). It can now optimize the global flow of goods within the entire Sihl Group, as all secondary requirements associated with the end product are generated automatically.

CONSISTENT PLANNING CHAIN WITHOUT BREAKS OR GAPS

To achieve this, the BOMs of the locations had to be connected logically. This was done during the introductory project stage, helmed by the supply chain experts of Abels & Kemmner. During one single material requirement planning (MRP) run DISCOVER performs every night, the requirements and demands of every location are determined. Thus, every location's requirements automatically become secondary requirements in every other location involved in the production process. If there is insufficient stock, the MRP run generates planned orders for these requirements. In the next step, the location's ERP system generates production orders from these planned requirements so as to replenish stocks to the required service level. This setup now ensures a consistent supply chain across the three locations as if they were one site. From a strictly technical point of view, DISCOVER could even be used to manage ordering, whereby only these data would be transmitted to the ERP system. Hence, either DISCOVER or ERP may be the leading system, depending on the requirements.

ARTIFICIAL INTELLIGENCE – LEARNING FROM THE PAST FOR THE FUTURE

From a strictly operative perspective, the ongoing integration of the US site entails manually integrating the sales forecasts, which are based on actual orders, framework contracts and the individual assessment of the prospective sales results. This way, the system gathers more and more data each month, ultimately creating a 'big data' base similar to a system with integrated artificial intelligence and enabling it to generate increasingly precise forecasts. After a few months, this procedure enabled automatically generated demand forecasts that did not require manual adjustment based on planners'



A view at the production at the mill in Düren, Germany

gut feelings. It also helped relieve the sales department from the burden of having to deliver sales forecasts as part of sales planning. Today, the SCM system forecasts production and purchase requirements completely automatically. Big demand fluctuations, due to changing customer relations – such as new listings or special promotions – are now easily integrated with the special demand planning features of the SCM system.

BETTER CONTROL OF STOCK LEVELS

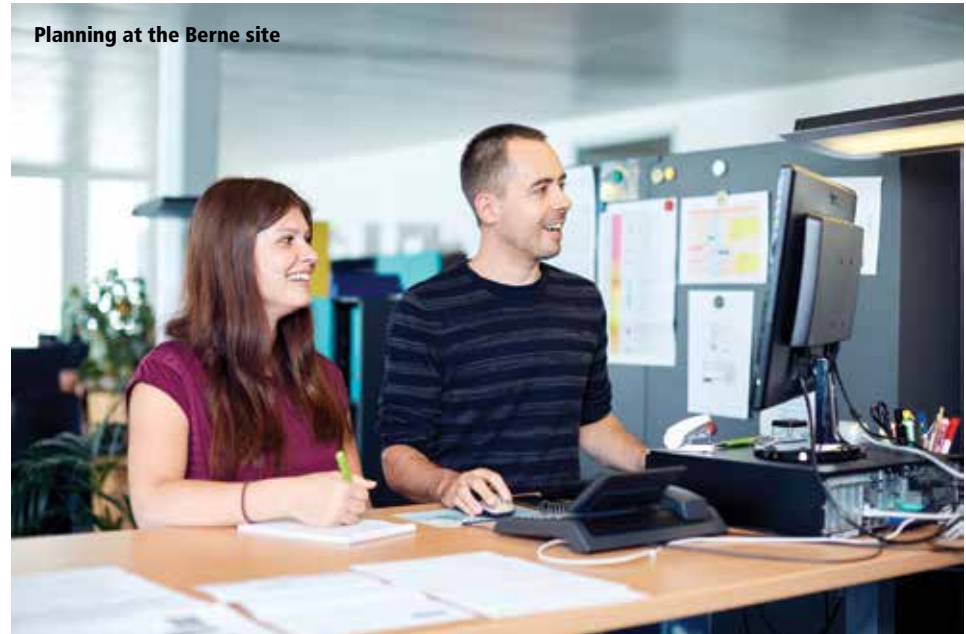
“Thanks to DISCOVER, we now have a global and virtually united organization. This has improved transparency enormously. We have much better control of our stock levels and can decrease or increase them according to demand. Monitoring the company’s current performance and defining goals has become a lot easier. Our stock targets, which are aligned with our delivery promises and KPIs, can now be planned precisely, realized in line with demand and monitored transparently,” explains Fabian Ossen, supply chain manager at Sihl in Düren.

DEMAND-ORIENTED CLASSIFICATION OF DELIVERY GROUPS

Another essential point during the introduction of the new system was the implementation of rule sets for optimum planning and scheduling parameters – to improve capacity in production, and to increase efficiency and optimize framework contracts in purchasing. For this purpose, the goods were classified in ABC/XYZ groups, depending on their sales volume and order frequency, as well as grouped in delivery categories, depending on the speed of delivery since the order. The introduction of these delivery categories made it possible to define decoupling points for goods that Sihl doesn’t have to deliver immediately. This allows Sihl to stock more semi-finished goods instead of finished goods, decreasing the inventory’s value and freezing less capital.

OPTIMIZED NET WORKING CAPITAL

Besides more transparency, the implementation of the cross-plant SCM system helped to reduce inventory while maintaining the required service levels. More importantly so, as



one of the aims also was to optimize the KPI ‘net working capital’. Sihl generates this indicator from the formula ‘inventory + receivables - liabilities’; if it is reduced, the scope for investments and earnings increases grows.

KPI DASHBOARD ON THE HORIZON

In future, Sihl’s management will also have access to a web based dashboard, enabling them to display selected supply chain KPIs in highly aggregated form much quicker and with more detail than the ERP systems could ever provide. This add-on to the APS tool will enable users to specify their home screen by bookmarking the required KPIs as favorites. It will also contain an email push system, which will send periodic or ad-hoc alerts if defined values are exceeded or not reached. The net working capital will also be displayed in this add-on.

EXTENSIVE REPORTING TOOLS

Another advantage of the APS tool is the extensive range of reporting tools it offers. For instance, the production manager regularly receives an automated report that indicates each machine’s order queue two weeks in advance. Thus, DISCOVER also provides production with vital information about machine utilization.

The production planner can then easily schedule the shifts to fulfil the production target. This and many other reports can be generated flexibly with the APS tool. For example, procurement managers can regularly check and accept parameter settings in push mode to ensure that exceptions do not become standards. Or expensive minimum stock levels can be checked every few month. Using the highly customizable report dispatch triggers, it is even possible to automatically send backorders to the purchasing department. Once all this is configured, organizing shipments is straightforward, which makes the job a lot easier for all parties concerned.

All in all, the implemented SCM tool DISCOVER SCO now fulfils many tasks that a globally operating company with complex supply relationships between its different sites would otherwise only be able to realize by consolidating its ERP systems. This step, however, and the laborious change management processes it requires, can now be omitted entirely. An advantage that provides enormous leverage for the identification and realization of optimization potential for planning and scheduling – even for mergers and acquisitions, since a reduction of stock levels can quickly release enormous amounts of money.

American construction, imported lumber

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US offshore lumber imports have grown at a 13% average annual rate since 2011.

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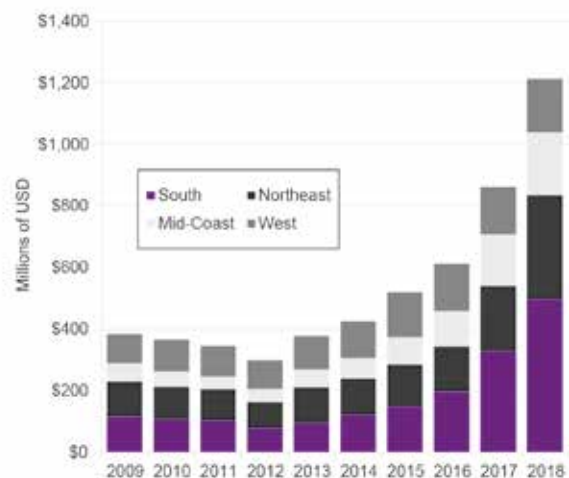
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After years of rising imports, will 2020 mark a pivot for US lumber markets?

US softwood lumber imports
By port of entry region



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IFPTA is bolstering its efforts to keep members up to date with the latest news and events in virtually every segment of the forest products transportation supply chain. The website is being updated on a daily basis with news about ports and shipping, rail carriers, trucking, breaking technology and regulatory announcements, and other information important to our members. So please take a moment to visit www.ifpta.org and let us know what you think.

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We encourage our members to work with us in building all aspects of the Association as we move forward. If you have news about your company, would like to post a topic of discussion on our LinkedIn page, or have IFPTA follow your company on Twitter, please let us know.

CONTACT

To submit online news or for questions about IFPTA and our online outlets, please contact John O'Brien at: jobrien@ifpta.org.

NEW IFPTA MEMBERS

Please join the IFPTA Officers & Directors and welcome the newest members of the Association. Please reach out to Michael O'Brien (mo-brien@ifpta.org) for new member contact information.

Darryl Anderson

Managing Director, Wave Point Consulting Ltd.
3450 Uptown Boulevard, Suite 301, Victoria, BC, V8Z 0B9, Canada

UPCOMING INDUSTRY EVENTS

Fastmarkets RISI North American Conference

October 5-7, 2020

This is a virtual online event offering the latest forest product outlooks from regional industry leaders.

Website: events.risiinfo.com

Breakbulk Americas

November 3-5, 2020

George R. Brown Convention Center, Houston, Texas, USA

Website: www.americas.breakbulk.com

Container Terminal Automation Conference

November 17-18, 2020

Chelsea Harbour Hotel, London, UK

Website: ctac.events

2021

Intermodal Asia 2021

March 16-18, 2021

Shanghai World Expo Exhibition and Convention Center, China

Website: www.intermodal-asia.com

Coastlink Conference (short sea and feeder shipping)

April 21-22, 2021

The Port House, Port of Antwerp, Belgium

Website: www.coastlink.co.uk

Breakbulk Europe 2021

May 18-20, 2021

Messe Bremen, Germany

Website: europe.breakbulk.com

(Breakbulk 2020 scheduled for November has been cancelled)

SAVE THE DATE!

PPI Transport Symposium 24

September 14-16, 2021

Sawgrass Marriott Golf Resort & Spa, Jacksonville, Florida USA

SCA TO INVEST IN PULP PRODUCTION AND DISCONTINUE PRODUCTION OF PUBLICATION PAPER AT ORTVIKEN MILL

SCA intends to invest SEK 1,45 billion in the production of chemically pre-treated thermo-mechanical pulp (CTMP) at the Ortviken paper mill in Sundsvall. In parallel, SCA is initiating consultations with trade unions and employee representatives to discontinue the production of publication paper at the mill.

SCA intends to invest to achieve an annual production volume of 300,000 tonnes of CTMP pulp at Ortviken, using the existing infrastructure. Expected start of production in the new mill is the beginning of 2023. SCA today has a production capacity of 100,000 tonnes of CTMP pulp at the Östrand pulp mill. This production will be phased out when the new line starts up, which will allow a future increase in the production of kraft pulp at Östrand Pulp mill. The closure of publication paper manufacturing at Ortviken paper mill proposed by SCA will affect about 800 employees, primarily at Ortviken paper mill, but also in other parts of SCA's operations.

UPM PLANS CLOSURE OF UPM KAIPOLA PAPER MILL IN FINLAND, SALE OF UPM SHOTTON PAPER MILL IN WALES

To ensure future competitiveness of UPM Communication Papers, UPM announced plans for permanent closing of UPM Kaipola paper mill in Finland by the end of the year, sale of UPM Shotton paper mill in Wales and streamlining Communication Papers business function teams. In addition, UPM Biorefining and UPM Specialty Papers announce plans for reorganizing and streamlining activities in Finnish pulp mills, UPM Forest and UPM Tervasaari mill in Finland. The planned actions would result in annual cost savings of EUR 75 million. Decisions on the final plans will be made after the co-determination procedures have been concluded.

The planned closure of UPM Kaipola's three paper machines would impact approximately 450 positions and lead to a permanent reduction of 720,000 tonnes of graphic paper capacity, thereof 450,000 tonnes of newsprint and 270,000 tonnes of coated mechanical paper.

Current production capacity of the Shotton mill is thereof 250,000 tonnes of newsprint in Deeside, Wales. The mill assets include the materials recollection and recycling facility, deinking plant, paper machine line and energy infrastructure as well as established access to the UK recycled paper market.

FFIF: PAPER PRODUCTION IN FINLAND TUMBLES TO RECORD LOWS IN Q2 ON COVID-19 COMPLICATIONS

Paper production in Finland plummeted to its lowest level in decades in the second quarter of this year, according to the latest sta-

tistics from the Finnish Forest Industries Federation (FFIF). While paper production tumbled, pulp and board production posted increases from the same period a year earlier.

Paper production in the country slid by nearly 30% year on year to 1.0 million tonnes in Q2, a level the FFIF said was the lowest in its 30 years of quarterly statistical monitoring. Board production, however, grew by 11.1% to 1.0 million tonnes, while pulp production edged up by 1.4% to 2.1 million tonnes in the April-June period. Sawn timber and plywood production was also down quarter on quarter in Q2, with the former slipping 8.0% to 2.9 million tonnes and the latter falling 6.3% to 0.3 million tonnes.

Looking at the first half of the year, output was negatively impacted not only by the coronavirus, but also by the pulp and paper industry strike in Finland in Q1. Paper production in the first six months of this year was down by over 25% from the same period a year earlier, while pulp production decreased by 8.5% and board production slipped by 0.7% in the period. Sawn timber output fell by 15.2% to 5.2 million tonnes, while plywood production slumped by 20.9% to 0.5 million tonnes.

Looking ahead, developments in the second half of the year are obscured by the possibility of another wave of COVID-19 and the damage that could cause, the FFIF said. At the same time, there are steps the Finnish government should take to ensure the industry's wellbeing. "We hope that the government will stand by the forest industry and make tax and energy decisions that will improve international competitiveness no later than the autumn budget debate," FFIF Director General Timo Jaatinen said in a statement. "The government should also do everything in its power to attract investments to secure production in the future," he added.

NUMBER OF TREES FELLED IN GERMANY DUE TO INSECT DAMAGE TRIPLED IN 2019

The number of trees logged in Germany due to insect damage, including the bark beetle, jumped significantly in 2019. According to the German Federal Statistical Office (Destatis), some 32 million m³ of timber infested by insects were logged last year, a nearly three-fold increase from 2018. By comparison, the figure was just 6 million m³ in 2017. According to Destatis, the number of trees showing signs of drought stress such as drooping leaves and thinning crowns is also increasing.

The changing pattern is even more startling if the timeframe is expanded. Last year, timber damaged by insects and other factors accounted for some two-thirds of overall felling in German forests, up from 20% in 2010. The species most commonly logged, amounting to over 80% of the total, were conifers including spruce, fir, pine and larch, according to Destatis.



PULP AND PAPER PRODUCERS SIGN MANIFEST URGING BRAZIL TO PROTECT THE AMAZON

The Brazilian forest products industry joined a manifest signed by 38 executives that urged local authorities to protect the Amazon. CEOs from producers Klabin and Suzano and from the Brazilian Tree Industry Association (Ibá) signed a letter to Brazil's vice president Hamilton Mourão in which representatives of several industries ask for improvements in environmental protection practices. The vice president is also responsible for commanding the Amazon Council.

The letter states that Brazil is suffering enormous losses due to the negative perception regarding the country's environmental policy. Executives expressed concern that the image that Brazil is building internationally is harmful "not only from a reputational point of view, but in an effective way for the development of business and fundamental projects for the country."

The manifest received the support of Brazil's biggest companies: the banks Itaú and Bradesco, beverages producer Ambev and mining company Vale, among others. The group of executives suggests that the Amazon Council must promote "inflexible and comprehensive fight against illegal deforestation in the Amazon." Among other measures, the letter supports the adoption of carbon credit trading mechanisms and defends that incentive packages for post-pandemic economic recovery should be connected to a circular, low-carbon economy.

TIMBETER AND CIND ENTER INTO PARTNERSHIP AND LAUNCH FIRST COOPERATION PROJECT IN SWEDEN

Timbeter, an Estonian company providing an AI-based digital workflow management solution for the timber industry, and the Swedish image processing technology provider Cind (a spin-off from SAAB AB) have signed a cooperation agreement and launched the first joint project for the automation of timber trucks measurement.

Timbeter uses Artificial Intelligence and machine learning for timber measurement, combined with Cloud Computing for data man-

agement and logistics planning, while Cind develops solutions that automate and optimize labor intensive activities related to timber measurement and inspection.

The first cooperation project between the two companies has been launched in Sweden with the accuracy and measurement method certified by Biometria (Swedish forest measurement association). The joint solution helps Cind to fully automate the diameter measurement of the truck loads. In the process, the loads on the truck are being measured, while the number of logs and diameters of the logs are detected and divided into different diameter classes. The joint solution helps to detect logs in specific diameter range and optimize the production input.

MANTSINEN GROUP INVOLVED IN DEVELOPING AUTOMATED TRUCK FOR CUSTOMER NEEDS

Mantsinen is participating in the development project of its client Stora Enso, in which a self-driving truck will be tested in a factory area in Uimaharju, Joensuu, Finland. The vehicle that moves without a driver is used to find out how much automated transports could reduce emissions and improve safety. The vehicle's smart control system and equipment is supplied by Hiab, which has developed the system together with VTT. The safety work also involves InnoTrafik and VTT. In addition, Nokian Tyres is participating in the project, testing smart tyres equipped with Intuitu sensors.

A self-driving truck improves the occupational safety, especially when operating near wood chip piles and warehouses. In the future, the driver, who will operate from a remote control room, will also benefit from better ergonomics. The traffic safety along the vehicle's route will improve thanks to new safety equipment, such as sensors and smart traffic lights. The automated truck is expected to decrease emissions as the automatic mechanism optimizes the engine's operation and the route planning. The decreasing fuel consumption will also bring in economic savings.

In the Stora Enso factory area in Uimaharju, the top speed of the automatic vehicle that operates between the sawmill and the pulp mill is 20 kilometres per hour. The truck transports wood chips from the sawmill to the pulp mill, traveling the distance of some 1.4 km about 15 times a day. The wood chips, which are a by-product of sawmilling, are used as raw material in pulp production. The testing of the vehicle will continue until the end of 2020.

Joint project for the automation of timber truck measurement



Picture: Timbeter

AN ANALYSIS OF RECENT MARKET MOVES: BY THE RISI ECONOMISTS

BLEACHED HARDWOOD KRAFT

CHINA

The past decade has witnessed a big change in the BHK capacity structure in China. Since 2011, Chinese BHK capacity has grown by more than 3 million tonnes. Meanwhile, the ratio of BHK market pulp to total BHK capacity in China has dropped from around 50% in 2011 to 30% in 2019, primarily as a result of continuous forward integration into paper at existing facilities. In 2020, with BHK prices falling to 10-year lows, market pulp production in China has become increasingly less competitive on a short-term cash cost basis and harder to justify on economic grounds.

Over the next five years, we anticipate that the share of BHK market pulp capacity will decline further to 15%. There will be more investment in new BHK capacity, but the majority of this capacity will be for internal use as either affiliated or on-site integrated tonnage.

Vertical integration remains attractive for some domestic paper mills who want to produce their own pulp despite the current lower market pulp prices and higher wood costs. Large paper companies tend to secure their fiber supply through investments in captive pulp manufacturing. Compared with buying from lower-cost overseas producers, integration of paper capacity might not minimize the cost of pulp used in paper production over time, but it can protect papermakers from the volatility of pulp prices and offer the additional benefit of aggregate production cost savings via energy costs across the integrated pulp and paper system.

On the policy side, the Chinese government tends to favor self-sufficiency wherever possible with respect to inputs to the production process. There is a clear indication in the Five-Year Plans that the government encourages backward integration for paper producers. Chinese companies now have better access to financial resources and can also leverage supporting policies rolled out by local governments, as China is seeking more investments in projects to offset the economic impact of the COVID-19 crisis and boost sustainable growth.

There are three large new BHK lines included in our forecast. The next new pulp line will come on stream in 2021. Sun Paper plans to install an 800,000-t/y year BHK line at its greenfield mill in Beihai, Guangxi Province, with start-up scheduled for the second half of 2021. The building of the pulp line will be tied to the company's plans to expand large-scale production of graphic and packaging paper in China. Liansheng has signed an agreement with the local government of Zhangpu to invest RMB 19.2 billion in building a new integrated pulp

and paper mill over five years, which involves a 1.2-million t/y BHK line, two 530,000-t/y mechanical pulp lines, two ivoryboard machines with combined capacity of 2 million t/y, six tissue machines with total capacity of 300,000 t/y, and a 408,000-t/y uncoated paper machine. The planned scheme will be carried out in two phases. And the BHK line is intended to be fully integrated when the paper machines in the second phase come on stream. Finally, Fastmarkets RISI's PPI Asia reported that China's Shandong Huatai Paper is also planning a 700,000-t/y BHK line at its flagship mill in Dongying City, Shandong Province. According to its EIA document, 400,000 t/y of its future output will feed the on-site graphic paper machines through pipelines, while the remaining 300,000 t/y will be processed into dry pulp in sheets to be sold on the market.

For existing BHK market pulp lines, both on-site and distance integration have been increasing, and will continue to do so over the next five years. According to PPI Asia (June 30, 2020), OJI started up a new 60,000-t/y year tissue machine at its pulp and paper mill in Nantong City, Jiangsu Province, at the end of June. A second identical unit is being installed there and is scheduled to be fired up in September 2020. Both TMs will be partly integrated with the 700,000-t/y on-site BHK line. APRIL also has aggressive plans to integrate the Rizhao mill into paper and board production over the next few years. The company signed an agreement with the local government of Rugao on an investment plan on June 18, 2020, which involves 2 million t/y of food grade paperboard and 1 million t/y of uncoated paper capacity. And 900,000 t/y of new uncoated paper capacity is currently being considered for its Xinhui mill in Guangdong Province.

We estimate that the forward integration into paper at existing market pulp mills, both on-site and distance integrated, will result in the redefinition of more than 1 million tonnes of market pulp to integrated pulp within the next five years. And we would expect that all of the pulp lines mentioned above will become fully integrated over time as a way to move into a higher margin area and compensate for higher wood costs in China.

TISSUE/PULP

GLOBAL

Tissue demand skyrocketed as the COVID-19 pandemic spread, sending producers scrambling to increase production to keep pace. Consumers reacted to the pandemic and subsequent mitigation efforts with panic buying and hoarding of tissue products that only intensified as retail supply chains were run bare.

This surge in at-home demand was well more than enough to offset the significant contraction in the away-from-home market that has resulted from the mass and abrupt closure of offices, schools and restaurants, with major tissue producers reporting first quarter sales growth of more than 20% and sales in March alone nearly double a year ago in some cases.



The boost in demand for at-home tissue products alone would have been supportive of stronger virgin pulp demand growth due in part to the higher quality products produced and higher virgin pulp usage in this segment, but pulp demand has been pushed higher still by the reduced availability of RCP and rapidly escalating prices of the high-grade RCP used in tissue production. These two factors pushed virgin pulp consumption in tissue markedly higher as the global economy and other end-use markets fell precipitously in the early stages of the pandemic.

The anticipated growth in tissue demand on its own is a positive story for pulp consumption, with the fallout from the global COVID-19 pandemic catapulting pulp usage even higher. Tissue is the largest end-use market for market pulp globally, accounting for an estimated 40% of consumption, and has played an increasingly integral role in market pulp demand growth.

Tissue production is already weighted heavily toward virgin pulp usage—more than two-thirds of the furnish on average globally—and with little to no use of fillers or coatings, any growth in production directly increases fiber demand. The at-home tissue market accounts for an estimated 75% of world demand, with the away-from-home segment making up the remaining 25%. While the away-from-home segment has contracted significantly due to the widespread lockdown measures, the at-home segment, which already makes up the lion's share of demand and utilizes much more virgin pulp, has expanded rapidly, more than offsetting any decline in the away-from-home segment and driving total demand for tissue higher. Our latest forecast calls for tissue demand to continue to expand at more than 3% or 1.4 million tonnes in 2020.

The higher share of at-home tissue production alone would have led to stronger pulp consumption due to the higher usage rates of virgin fiber in this segment, but when combined with the supply-side constraints for RCP, pulp usage has increased exponentially. The widespread lockdowns have disrupted RCP supply chains via limited collections and sorting. This, together with the downward spiral in

graphic paper consumption due to the widespread closure of schools and offices, will result in limited feedstock to be collected for sorted office papers and will continue to depress the availability of high grade recovered paper and place upward pressure on RCP prices.

There is a combined impact from the constrained supply of RCP and the growth in at-home tissue demand on virgin pulp. The RCP supply constraints lead to a 10% or 1.6 million tonne decline in high-grade RCP availability. Applying an average loss of around 30% in the processing of RCP results in a fiber decline after loss of 1.2 million tonnes.

The lost fiber is expected to be made up almost entirely by virgin pulp consumption due to the quality requirements of the increased volume of at-home tissue being produced and the limited availability of nonwood fiber. This is all before accounting for the demand growth expected in tissue. Prior to the pandemic, we would have estimated about two-thirds of the increase in tissue production would be fibered with virgin pulp and one-third with RCP. With no additional RCP available, we assume nearly all growth in tissue production will be forced to utilize virgin fiber, which would result in another boost to pulp demand of around 400,000 tonnes. In aggregate, the fallout from the pandemic could result in an additional 1.6 million tonnes of pulp consumption by tissue producers this year than would have been anticipated prior to the pandemic.

Questions remain around the durability and duration of the jump in tissue demand, but nonetheless, the impact on virgin pulp demand thus far has been exceptionally strong. While the draconian mitigation measures are easing around the world, working from home still seems to be the norm as offices have been slow to reopen and companies reticent to force employees back to the office. Meanwhile, consumers remain hesitant to flock back to restaurants and other commercial establishments and many schools remain closed with lingering questions about how, or even if, to reopen this fall. This will continue to support the at-home tissue market, limit high-grade RCP availability and bolster virgin pulp demand.



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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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