



BY AGÊNCIA VALE

The Northeast attracts new investments in pulp

The south of Bahia has already had examples of success, like the factories of Veracel and Suzano. Now, the states to the north, like Maranhão and Piauí, are becoming the industry focus as at least two new pulp factories are promised for the region in the next five years

By Marina Faleiros

Maranhão is the State of açai and the boi-bumbá festival. But if it's up to Suzano, after 2013 it will also be the pulp State, as the company's next factory will be installed there, possibly with the largest production scale in the world. "The plant will have the capacity to produce 1.3 million tons per year of pulp, 100% for exportation, and marks the start of the Northeast as the new frontier of pulp", says Luiz Cornacchioni, the executive manager of Institutional Relations at Suzano.

The company's plans for the region are bold, and, in addition to Maranhão, they're even contemplating a new factory to be erected in Piauí in 2014. Last year, the group invested R\$361.1 million for the development of the two new plants, whose total investment should overtake US\$ 3 billion. "In the region we have important competitive advantages for the growth of the sector, like the availability of lands and an interesting logistics, with the Itaqui port and the railways", points out the executive.

As well as the infrastructure, Suzano has encountered great support from the population and the regional government. José Mauricio de Macedo Santos, the secretary of Industry and Commerce of the State of Maranhão, says that the State is getting off on the right foot in the pulp industry by receiving the first large-sized project in the region. "It's attractive for everyone and we know the magnetic power of this factory, which has impacts not only for the direct employment in the enterprise, but also in the creation of a very large forest base, with the possibility of generating another type of income in the region", he asserted.

The new Suzano factory should be installed close to the city of Imperatriz (MA), with close to 300 thousand inhabitants, that's located in the south of the State, 616 kilometers from the capital São Luís. "Up to now, the city has had a small economic culture only linked to pig-iron and agribusiness, but a new

market is opening up now, as the company is going to encourage the planting of eucalypts that will benefit properties that today only have cattle and agriculture", he says. The company's other factory is promised for the region of Piauí's capital, Teresina.

With the attainment of environmental licenses, the company is now encouraging the plantation of eucalyptus in the regions of future mills, with close to 11 thousand hectares reforested last year. "This year we'll plant more than 30 thousand hectares in Piauí, Maranhão and a bit in Tocantins; we're accelerating the project from the forest point of view", says Cornacchioni. In the meantime, the company has already licensed areas of Piauí, Tocantins, and, within two months, it should have the permission for plantations in the whole southern portion of Maranhão.

The next step, which will be taken next year, should be to engage the suppliers of services and equipments, since Suzano will start the basic engineering of the project and open the competition for the purchase of all the equipments and the erection of the plant. The last big pulp plant erected in Brazil was the one of Fibria Três Lagoas (MS), which

started producing in the first quarter of last year. The factory at Piauí should get at this stage in two years time, in 2012. "We're on schedule and everything is going well. As the forest part is the first that should be seen to, we're focusing on this now", explains the Suzano executive.

PREPARING THE GROUND

Despite the recent confirmation of the project, the idea of installing a large-scale plant in Maranhão, however, isn't new. Since 1981, Suzano has had a forest research center in Urbano Santos (MA), with plantations and the study of clones most adapted to the climate and soil of the region. "The timing of rains, solar radiation and soil are different than in Bahia, where we already have a plant. For this reason, the fact of doing research there and with adapted genetic material gives us a very large incentive to start the project", says Cornacchioni. According to the executive, the productivity of wood in the region, around 35 m³ to 38 m³ per hectare isn't one of the largest in the sector, but is considered quite competitive.

This previous knowledge of the place, together with the forest technology, was



Port Itaqui, which will transfer the production of pulp, will receive investments of R\$ 600 million

essential for the State being chosen to base the new Suzano mill. The company already has offices in Teresina (PI) and Imperatriz (MA), and the speed of contracting human resources is increasing. Presently, 1.7 thousand people already work directly for or are collaborating with the company in the region. "Our focus is local workers and we've already foreseen a Senai course for the region to train the labour for the industrial unit", comments the manager.

A similar model has already been applied at Veracel, the mill of Fibria and Stora Enso in Bahia. According to Antonio Sergio Alípio, president of the company, implanting such a daring project in a region with no tradition of large business undertakings is an impressive challenge. In the case of Veracel, issues like professional training, development of local suppliers and the creation of the necessary conditions for the structuring of a productive chain need to be very well organised. Veracel believes that, this way, it was able to consolidate an adequate social and environmental investment strategy to contribute to sustainable development in the extreme south of Bahia. "Producing high quality pulp is only part of the challenge, because social and environmental issues are as important as the economic ones", he says. The executive even points out that acting in an area of influence that is home to more than 400 thousand people in Bahia, considering that most of them still fight for the most fundamental aspects of citizenship, puts the company permanently in the spotlight.

For Alípio, the Brazilian Northeast will become to be more and more the focus of pulp companies, because the soil and climate guarantee good results for the commercial plantations. However, he emphasizes, two factors are essential to make the natural conditions translate into success: "The forest technology that's employed, assisted by the work of highly-qualified technicians and first-class equipment, and to maintain the



BY STORA ENSO

Veracel completes five years of operation in Bahia with good results

shortest distance between the plant and the raw material, which guarantees the best operation costs", he says.

These precisely are the steps that Suzano is following in Maranhão, where it already had a forest study base and formed a railway logistics partnership interesting for the business. To guarantee the supply of wood, that in the region takes between six and seven years to be ready to cut, Suzano made a deal with the mining company Vale, which will supply eucalyptus wood between 2014 and 2028, with the possibility to renew the contract. The raw material will also originate from Vale Florestar, which owns 300 thousand hectares of land of eucalyptus and native forests in the south of Pará. "In addition to this, Suzano bought 84.7 thousand hectares of land from Vale, of which 34.5 thousand hectares are already planted with eucalyptus", says Cornacchioni. The acquisition price of these assets was R\$235 million. A deal was also closed in which Vale will be responsible for the transport of the pulp from 2014 until 2043, from the new plant to a port in the region of São Luiz (MA). The railways Carajás and Transnordestina Logística will be used for this.

In Tocantins, where plantations will also be made, the cultivation of

eucalyptus is supported by the state government, mainly for the recovery of degraded areas. Data gathered by Seagro (Secretaria da Agricultura, Pecuária e Abastecimento do Tocantins - Secretary for Agriculture, Cattle-Raising and Provisions of Tocantins), shows that in the next few years the area of planted forest should grow by close to 420%. Already in 2010, the plantations should register an increase of 100% in relation to the area planted in 2009.

In terms of the generation of financial resources, the secretary of Industry and Commerce of Maranhão projects that the new Suzano mill should double the GDP of the industry and agribusiness of the State, "without counting on the fact that this is a region inserted in the Amazonian biome and that could be recovered, since companies like Suzano comply with laws and have projects like ecological corridors, a culture that could be adopted by other industrial projects in the future", he said.

Santos still explains that, as the project is directed at exportation, the company won't pay state tax and is going after a return of the ICMS credits. "This is advantageous for the State and there are great expectations from the population. We're going to recover the wood sector in the region, which had

withered away, and reinvest in this area with a vision of planted forests”, he confirms. The secretary celebrates the moment experienced by Maranhão, which grew 9% in 2009: “We have space to grow even more and our GDP could even double, for this reason we’re working hard on the port infrastructure and other projects, like the Estreito hydroelectric power station”, he states. At the Itaqui port, where the pulp production will be taken to market, R\$600 million will be invested by the Federal Government. “The State is ready to take off and is doing everything not to miss out on opportunities, in addition to valuing the members of the business community that are arriving, so that they feel safe and secure here”, he concludes.

VERACEL CELEBRATES FIVE YEARS IN BAHIA

Veracel, who set up in Bahia, is one of the newcomers to the region and also has plans to grow shortly with the duplication of its fibres line, in the project Veracel II. The company will complete its fifth year of operation in the Northeast in May, reaching the milestone of 5 million tons of pulp produced since the start of the plant. “This is a historic landmark for the extreme south of Bahia, and for Brazil, as Veracel is one of the most modern companies of the world in this sector, using the concept of Cleaner Production and sustainability directives in all of its operations, legitimized by its production 100% certified by Cerflor and FSC, and even maintaining very competitive costs”, explains the president of the company, Antonio Sergio Alipio.

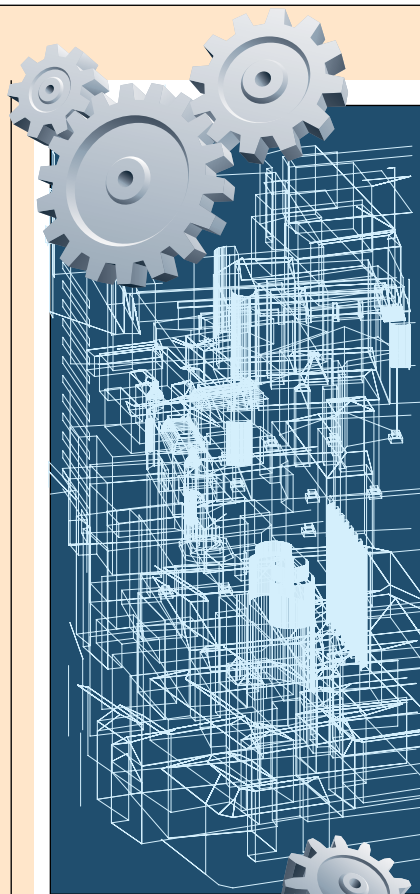
The mill is even a partnership model within the sector, with two investors that share its production: the Brazilian Fibria and the Swedish-Finnish Stora Enso. “To see the concrete results reached since the start of forestry operations in 1991 is gratifying, as we have a first-class company, we positively impact the region and we create innovative environmental

parameters there”, he tells.

He emphasizes that to take industries to areas of low socio-economics development helps to create economic alternatives that promote social advances and better income distribution. “The learning experience that Veracel can highlight with its experiences is that it’s not possible to significantly advance without having a well-founded plan with all the social agents. The private initiative can contribute, but it can’t take on this mission alone”, he assets. To really make a difference, he says, it’s important to look for balance in the face of diverse interests and the healthy alignment with the civil organized society and public authority. “Each one, playing its part, already guarantees prodigious results”, he says.

In relation to the possible expansion of Veracel, Alipio confirms that the shareholders have already announced complete interest in resuming the plans, but obtaining the environmental licensing is one of the points that need to be worked on for the project to be realized. “Even with the announcement on the part of the shareholders, last year, to postpone the expansion due to the financial crisis, Veracel continued the licensing process with the Instituto do Meio Ambiente (IMA - Institute of the Environment), started in December 2007. It’s the environmental body that manages the progress of the works, currently in an analysis phase of the first report”, he tells. For Veracel II, the investments made up to now are in studies, diagnostics and projects, as the plantations and the projects can only be started after environmental licensing.

For the executive, the Brazilian pulp sector is a success case for national public policies. “The sector created regional development nuclei around their productive chain, and is responsible, in a parallel way to its commercial plantations, for one of the largest investments in recovering areas of native forest since the Discovery, a fact that we’re proud of”, he concludes.



THE NEXT FACTORY OF THE SECTOR

Company: Suzano Papel e Celulose.
Location: Imperatriz region (MA).
Investment: R\$ 4 billion.
Employment: between 7 and 8 thousand in setting up the project and, when operating, 3.5 thousand direct and 15 thousand indirect.
Production: 1.3 million t/year.
Start up of operation: 2013.

Maranhão highlights:

- Estrada de Ferro Carajás (EFC - Carajás Railway Line) connects to the Ferrovia Norte-Sul in the city of Açailândia, an hour away from Imperatriz.
- Itaqui port will receive investments of R\$600 million from the Federal government.
- Estreito hydroelectric power station will receive a R\$3.6 billion investment.
- Estimated growth rate of the GDP of Maranhão for 2010 is 10% (source: IBGE/Imesc).