



"The strategy of growing the corrugated board packaging platform includes commercial efforts and growth plans in all sorts of markets", said MWV Rigesa president Bob Beckler

The path traveled in 2011

Players in the pulp and paper sector overcome economic uncertainties and maintain their schedule of projects. See what occurred with the main projects being implemented to increase production capacity and build new mills

By Caroline Martin
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The global economic scenario in 2011 presented itself with a somewhat nebulous background for the country's pulp and paper industry. Nonetheless, players in the sector were able to skillfully overcome this period and, despite the major impact that the economic crisis caused to commodity prices - including bleached eucalyptus pulp -, Brazilian producers posted good performance this year. 2

More than overcoming challenges, representatives from the various segments that comprise this production chain bet on efficient measures to appease the effects of financial uncertainties that hover over the world. "Sales of the commodity have historically remained stable over the years, even in times of crises, and the trend is that Brazilian producers, which have the most

competitive margins, will further consolidate their presence in global markets, while Europeans and other traditional producers will lose space, analyzes Patricia Perez, RISI economist who focuses on Latin America.

The strength of Brazil's economy and the position of creditor that the country currently holds also add points in favor of the nation's industry. Even though eventual recessions, little growth on the part of developed countries and China's economic slowdown still insist on appearing as risks, the continuity of investment projected for the beginning of the year reflects the strategy of optimism adopted by the sector.

In looking at the projects announced in January, it is possible to see that the majority was confirmed throughout the year – starting with new pulp mills. With start-up projected for 2012, the Eldorado Brasil construction schedule is one of those that were executed as planned.

Over the last few months, the player gave continuity to construction of the 1.5 million tons/year production complex of eucalyptus pulp installed in Três Lagoas (MS). "Today, we are at 58% completion of the project as a whole," informed Carlos Monteiro, the project's technical and industrial director.

In describing the project, Monteiro informed that upon completing the infrastructure phase and infrastructure detailing engineering phase, the company purchased the water islands in March. While Degrémont was selected to be the equipment supplier, responsibility for the water capturing project was given to Pöyry.

In June, it began to assemble the recovery boiler, followed by the evaporation line and fiber and stock line. Monteiro informed that Veolia is the supplier of the boiler, while Centro Project is responsible for the effluents treatment area, and White Martins for the oxygen area.

"Even though assembly of the recovery boiler is a critical point, we are at the 48% progress stage, in comparison to the 46% foreseen at the time," commented the technical and industrial director. According to him, such progress proves the success of the management model adopted. "We opted for very concentrated management, with a reduced team for assembling equipment, but very integrated and aware about the project's development."

According to expectations, the boiler completion date shall coincide with that of the other areas that comprise the unit. "Therefore, in the beginning of April we hope to begin using the auxiliary boiler



and execute a few tests," plans Monteiro. In fact, the project has everything to be completed on time. Despite the two unforeseen worker stoppages in 2011, goals continued to be met. "At present, we have 5,700 workers and good productivity. However, the challenge of obtaining qualified labor is something present throughout Brazil," he said.

Eldorado's technical and industrial director sees that the employee turnover rate today is higher than what it was years ago, particularly due to the full calendar of projects that Brazil's civil construction sector has. "We continuously pay attention to this factor, in order to avoid any kind of stoppage, new claims or complaints. Our greatest challenge resides in making work attractive and achieving good performance, in order to comply with the project schedule," said Monteiro.

Suzano Papel e Celulose, another company that has been complying with its project schedule, continues having November 2013 as the projected start-up month for its new 1.5 million tons/year production mill. Land moving work in Imperatriz (MA) amounted to roughly 11.5 million m³ of earth, including cutting and landfilling of areas.

In February, Suzano announced the acquisition of the main equipment for its industrial unit from Metso and Siemens. The equipment contracted from Metso basically comprises the following areas: Woodyard; Cooking and Washing; Fiber Line; Dryers; Bailing and Shipping; Biomass and Recovery Boiler; Causticizing and Limekiln; Evaporation and Integrated Automation Systems (Distributed Control System – DCS). The contract entered into with Siemens comprises the acquisition of two

The Eldorado Brasil project continues on schedule, having reached the 58% mark

turbogenerators that will satisfy the mill's energy demands as well as generate 100 MW excess energy.

Last month, the company drilled the first pillar that will give rise to the new site. This is just the beginning since during the foundations process (current construction stage) roughly 1100 pillars will be placed, which will serve as the basis for building the recovery boilers, power, causticizing and evaporation. Suzano foresees that this stage of the project will be concluded by the end of this year, having consumed 500 m³ of concrete and involved roughly 150 workers.

Paper projects also on schedule

In looking at the paper area, it is important to point out that each segment presents its own peculiarities. The slowdown in Brazil's economic pace, when compared to 2010, resulted in very moderate demand growth for all types of paper, as pointed out by RISI's economist.

Klabin, however, celebrated a good third quarter performance in 2011, ending the period with a net income of R\$ 991 million, 1% higher than the amount achieved the same quarter a year ago. This result stems from a sales volume that reached 434 thousand tons (excluding lumber), accounting for 71% of sales in the internal market – representing a five percentage point increase in relation to the second semester.

During a press conference in early November, Fábio Schvartsman, president of the company, transmitted his content with the figures presented and pointed out the predictability of such result. "We already expected a positive performance in relation to the previous quarter, and this is exactly what happened," he said. Schvartsman also highlighted the importance of the cost

reduction process in achieving the goals.

The president referred to the fixed and variable cost reduction project announced by the company in early 2011. The first investment made to achieve this objective, said Schvartsman, was to substitute the oil boiler at the Otacílio Costa (SC) production unit. The new biomass boiler that started operating in February has already posted a significant cost reduction in the operation, informed the company president.

In June, Klabin extended the general stoppage period at the Monte Alegre unit in Telêmaco Borba (PR), in order to make a major intervention in Boiler #8, which was causing many problems in day-to-day operations. "Today, the mill is operating with a productivity level that it has never operated at before, proving that the intervention was absolutely appropriate," he commented about the positive strategy.

Schvartsman also revealed that a new evaporator recently started operating at the Otacílio Costa (SC) unit, the installation of which promises to yield another major cost-reduction benefit. For December, the company intends to start up the Monte Alegre high voltage line, which will also result in savings.

The series of investments Klabin is making to optimize operations at its various units will continue in 2012. According to the company president, a big biomass boiler shall begin functioning at the Correia Pinto (SC) unit by the middle of the year. "The investment in this boiler amounted to R\$ 86 million and shall also provide a major cost reduction by substituting oil for biomass," he said.

Plans for the Monte Alegre unit include the elimination of bottlenecks. Schvartsman said that the project consists in producing more white pulp at the unit, avoiding having to purchase it in the market, since the amounts paid are higher than the internal production cost. "All these initiatives lead to significant reductions in variable costs and will be successively incorporated to our results. Therefore, we will have a succession of good news coming from the variable cost front over the next 12 months," he said.

In terms of projects that the packaging segment carried out during 2011, it is important to point out the investments made by MWV Rigesa. In July, it started up operations of the group's 5th corrugated board unit, located in Araçatuba (SP). The new unit, with 27 thousand square meters of construction and 60 workers, will help leverage business especially in inland São Paulo and Paraná.

These last few months have also shaped the roughly

"When changes in the deinking plant are concluded, we will be able to use various types of wastepaper, such as from magazines or wet strength labels", said Wurzmann



BY KMPAPEL

R\$ 800 million investment that the player is earmarking to expand the Três Barras (SC) paper mill. The building that will house the new paper machine began being built in September once the foundation was laid. Since then, many of the almost 200 pillars and support beams projected for the building have been erected.

The new machine will have a production capacity of roughly 300 thousand tons/year of kraftliner paper. The equipment is expected to begin operating in 2012. The paper to be produced from this expansion will be used by MWV Rigesa's packaging plants. "The strategy of growing the corrugated board packaging platform is well underway, with commercial efforts and growth planning phases in all sorts of markets", said the company president Bob Beckler.

Among the strategies for distributing products in all markets, the inauguration in October of the second Ready Box unit in Curitiba (PR), is an example. The company's exclusive business model consists in supplying mounted packaging to different types of producers. "Curitiba was selected to house this second unit due to the industrial profile of its metropolitan region, with companies in the automotive, chemical and food segments, among others, as well as the fruit, vegetable and legumes market," explained Juarez José Ferreira, MWV Rigesa's Ready Box business manager, the first unit being located in São Paulo (SP).

Trombini is another company on the list of players that made investments in 2011, in fact, the company gave continuity to a project that it has been developing for five years, amounting to more than R\$ 300 million and intended to modernize its pulp, kraft paper, recycled paper, corrugated board packaging and multi-layer paper bag industrial units. "The investments are part of an in-depth restructuring and modernization project of Trombini, currently the second Brazil's largest producer of multi-layer paper bags and #4 in corrugated board packaging," said the company president Renato Trombini.

According to the executive, the technology modernization project includes the acquisition of new equipments, team training, implementation of the company's new global management system and also investments in forests – the last ones aimed at integrating production, which boosted productivity. So much so that starting next year the company intends to offer kraft and recycled paper to other organizations. At present, according to Trombini, the company produces more than 220 thousand tons/year of corrugated board packagings and more than 35 thousand tons/year of multi-layer paper bags.



Battle of the printing and writing segment

In order to face the growing competition from imported products due to the floating exchange rate, International Paper annually invests to improve its technology and maintenance at mills. In 2010, the company invested US\$ 88 million in its production units - an amount that should repeat itself until the end of the year.

In addition to usual investments in 2011, the company announced two other key capital investments in its Brazilian units. The first refers to a US\$ 90 million investment aimed at building a biomass boiler in Mogi Guaçu (SP), which project should be concluded by the first quarter in 2013. The second investment, in the amount of R\$ 2 million, the company will change the packaging of its Chamex paper and the respective launching campaign. Some of the main innovations in the line include the "easy to open" process. This new system, called Microdots, consists of micro air spots that help the packaging sealing process, making it also easier to open.

Providing further technical details about the new boiler for Mogi, IP revealed that the equipment will have a capacity to generate 210 tons of steam per hour and will complement the production of steam for producing pulp and electrical energy for the mill, generating practically all the energy used in the production process. With this, IP's integrated manufacturing system, composed of pulp and paper mills in Mogi Guaçu and Luiz Antônio (SP), as well as the paper mill in Três Lagoas (MS), will achieve an energy self-sufficiency rate of more than 90%.

According to IP's president for Latin America Jean-Michel Ribieras, this investment is of extreme importance for the company and demonstrates its commitment to the Brazilian operations – a strategic platform for market development in Latin American countries. "Making an investment such as this is just as important for

Trombini gave continuity to its R\$ 300 million project aimed at modernizing its industrial units

competitiveness as it is for the sustainability of our integrated manufacturing system," said Ribieras.

The project already has all its environmental permits issued by Companhia de Tecnologia de Saneamento Ambiental (Cetesb), linked to the State of São Paulo's Environmental Department. Construction is projected to begin April 2012 and should be concluded by the first quarter of 2013. IP is still analyzing which suppliers will be contracted to execute the project.

With regards to expanding the Três Lagoas unit with the installation of a second paper machine, the company decided to wait until 2012. The decision, made together with Fibria, is part of the business strategy of both companies. The idea is to ensure greater flexibility of time so that all studies and technical, commercial and market analyses can be carried out in a more detailed manner. Until October of this year, 186,000 tons of paper were produced at the unit. The goal is to end the year with a production of 218,000 tons, almost 10% more than the volume originally designed for the machine.

Also aware of market demands and requirements imposed on representatives in the printing and writing paper segment, Bignardi Papéis put its strategies and investments into practice throughout 2011. "We invested R\$ 1.5 million in an automatic quality control system furnished by Voith Paper for paper basis weight, moisture and mineral filling,

installed in our MP2. Already in operation, the system is providing major gains in terms of productivity and product quality," said the company's technical manager José Reinaldo Marquezini. Gains include: quality stability, reduced losses due to products non-conformity and reduced non-production times during production changes.

In addition to this investment, the company bet on the purchase of a new folio size sheeter, with a production capacity of 1,500 tons/month of paper. The R\$ 1.2 million investment will produce results as of 2012, when the equipment begins to operate. "With this sheeter, produced by American-based Penco, we intend to increase the production of cut paper," said the company director Beatriz Bignardi.

However, the executive admits that the adverse scenario of these past few months forced the company to make investment decisions in a much more careful manner. "What we saw this year was an oversupplied market, not only because of competitive advantages that imported products have due to the exchange rate, but also because of the crisis that the European and North American markets are facing," she said.

Due to the difficulties faced, some decisions have had to be postponed by Bignardi. "We have an investment project to increase the stock preparation plant and we are also analyzing the possibility of installing an energy cogeneration unit. This economic instability and its resulting nebulous outlook for the next two years have led us to suspend these investments for an undetermined period."

According to RISI's economist, exchange rate variations impact the printing paper segment even more strongly. Patricia informs that, for the time being, there are no signs for a major drop in coated paper imports. The good news is that the Brazilian real (R\$) is beginning to show signs of devaluation, since domestic producers tend to increase their competitiveness and improve their share in the internal market.

Tadeu Souza, MD Papéis' commercial director, also sees things picking up in the next two months. According to him, a significant increase in demand is expected for 2012 and 2013. "Even though the scenario for 2011 was somewhat unstable, we maintained our investment plans. After all, we need to be ready to service this expected growth," he said.

The investments Souza referred to total R\$ 70 million and contemplate the rebuilding of an existing paper machine. He informs that over the last few months the



BY BIGNARDI

The new automatic quality control system purchased by Bignardi is already yielding major gains in productivity and product quality

basic engineering stages were concluded, but in view of the fact that they went on longer than projected, this ended up postponing start-up for early 2013. In the next months, the company intends to begin the equipment development and installation phases. "The suppliers have not yet been defined, but we intend to use a mix of local and international companies", said the commercial director. "By installing a cutting edge equipment we offer our clients more competitive products from a quality and cost perspective," he said.

Another paper maker that has been keeping up with changes in the market is KM Papel. By continuing its R\$ 42 million project that started in 2010, the company plans to expand the production volume of its cut size paper.

According to the company's director Daniel Klabin Wurzburg, the adaptation that is being made by Voith Paper in the deinking plant at the Volta Grande (MG) mill will allow using a wider variety of wastepaper. "Today, we use a stock that mixes pulp and 1 and 2 white wastepaper grades. In fact, we are certified with FSC's mixed label. Starting

March 2012, when changes in the deinking plant are concluded, we will be able to use various types of wastepaper, such as from magazines or wet strength labels," he said. "The objective is to reduce the cost of pulp without impacting quality of the end product", said Wurzburg.

In addition to reducing production costs, the KM Papel project includes the installation of four new cylinder dryers in the paper machine. "With the installation of these four new dryers, the idea is to increase production volume," said the company director. Wurzburg also informed that the company intends to take advantage of the scheduled mill stoppage for the deinking plant implementation to also install the new dryers.

The series of projects headed by the country's pulp and paper players proves that, even though the current financial turbulence causes variations in the market and generates scary uncertainties, the sector is tuned in and possesses powerful weapons to overcome the challenge: technological know-how, investment planning and commercial strategies. ■

See the paper projects carried out throughout year 2011 in Latin America

Paper and paperboard capacity changes in Latin America 2011						
Thousand tonnes						
Company	Location	Country	Capacity	Date	Comments	
Papel Prensa	San Pedro	Argentina	NA	2011	Newsprint	PM rebuild
Itapagé	Coelho Neto	Brazil	105	2011	Packaging paper	Restart of idle mill
Trombini	Fraiburgo	Brazil	110	2011:T1	Paperboard	New PM
Trombini	Fraiburgo	Brazil	(40)	2011:T1	Paperboard	PM shutdown
KM Papel	Volta Grande	Brazil	12.000	2011:T2	Recycled white paper	PM rebuild
Berazategui	Buenos Aires	Argentina	14	2011:T2	Recycled paperboard	PM rebuild
CMPC Caieiras	Caieiras	Brazil	54	Met-2011	Tissue	New PM
SCA	Ecatepec	Mexico	(70)	Met-2011	Tissue	Mill closure
Kimberly Clark	Bernal	Argentina	10	Met-2011	Tissue	PM rebuild
PSA	São Leopoldo	Brazil	5	2011:T3	Tissue	PM rebuild
Protisa (CMPC)	Santa Anita	Peru	15	2011:T3	Tissue	PM replacement
Iguaçu	Sao José dos Pinhais	Brazil	10	2011:T3	Wrapping papers	PM rebuild
Tropicós Industrial e Comercial	Guarapuava	Brazil	5	2011:T4	Tissue	PM rebuild
INCASA	Quito	Ecuador	11	2011:T4	Tissue	PM second line
Alphapel	Santa Fé	Argentina	5	2011:T4	Recycled paperboard	PM rebuild
Penha	Coronel Vivida	Brazil	4	2011:T4	Recycled paperboard	PM rebuild
Penha	Santo Amaro	Brazil	22	2011:T4	Recycled paperboard	PM rebuild
Zucamor	Ranelagh	Argentina	35	2011:T4	Recycled paperboard	PM rebuild
Tangará Papéis	Tangará	Brazil	10	2011-2012	Tissue	New PM

NA = not available

Credit: Global Mill Project Database (RISI)