



**Forest and
paper
survey**

PricewaterhouseCoopers has released the 2009 edition of its forest, paper and packaging industry survey. As may be expected, the results were bleak. Return on equity fell sharply and return on capital employed (ROCE) dropped from 4.9% in 2007 to 2.4% in 2008. Operating income of the top 100 companies was US\$21 billion, a 19% decrease from the previous year while net income plummeted from US\$14 billion in 2007 to negative US\$8 billion in 2008. Debt as a percentage of equity increased from 90% in 2007 to 130% by the end of 2008, for US companies the ratio was close to 210%. Most companies saw a fall in their share price and the total market capitalization of the top 100 fell by US\$120 billion from 2007. The survey can be found at: www.pwc.com/fpp

**Plantation
water plan**

The South Australian Government has released a policy framework for water resource management of plantation forests. The document is designed to help water use planning by government agencies, industry and National Resource Management Boards by providing directions for water use planning, ensuring water use activities are identified and sustainably managed and to account for the environmental, social and economic impacts of water allocation. In releasing the framework, Forests Minister Paul Caica said the document recognizes that plantation forests are a dry land crop. "As such, they use water differently from irrigated agriculture and other water uses, so we need a system to properly account for, and effectively manage, forest water use," he said. South Australia has some 180,000 ha of plantations, mainly in the South East, Mt Lofty Ranges and Kangaroo Island. *Water resource impacts of plantation forests* can be downloaded from: www.dwlbc.sa.gov.au/current_issues.html

**NZ GE
exports**

Genetically engineered eucalypts from NZ may be exported to the US. ArborGen has applied to plant some 260,000 cold tolerant eucalypts in seven US states as part of an effort to develop new sources of hardwoods for the pulp and paper industry and biofuels in the US South. The Soil & Health Association of New Zealand has opposed the exports claiming it would damage New Zealand's clean and green image. "The government must stop the export of genetically engineered plants, animals and products from New Zealand. A clean, green brand does not include products of genetic engineering or participation in planting of new global weeds," said Association spokesperson Steffan Browning. The trees are derived from the hybrid of *Eucalyptus grandis* X *Eucalyptus urophylla*.

TRACING

PAPERS

A summary of paper industry technical articles from Covey Consulting & Appita



Covey Consulting



A cost effective and time efficient way of keeping up to date with the key paper industry articles from around the world.

Another quality publication from Covey Consulting.

Contact John Trewick for more details.

www.coveyconsulting.com.au

**Reduced sales
for MIS**

Companies involved in forestry managed investment schemes (MIS) are seeing significantly reduced sales following the collapse of Timbercorp and Great Southern. Forest Enterprises Australia (FEA) has seen income from its plantation division slump from A\$60 million to A\$23 million for the financial year ending June 30. The company said it plans to invest more in its timber mill operations. TFS Corporation, which manages Indian Sandalwood plantations, said it would be looking to institutional investors rather than retail ones to fund further growth. Tasmanian timber company Gunns Ltd have also reported a substantial drop in sales from managed investment projects. The company announced that income from its subsidiary, Gunns Plantations Limited, was A\$45.5 million, down from A\$122 million the previous year. Gunns chairman, John Gay, said the company was committed to continue investing in plantations and downstream processing and that private investment through woodlot projects made a major contribution to plantation expansion.

**Timbercorp
talks**

Timber industry superannuation fund, First Super, has announced it is having discussions with Timbercorp MIS investors with a view to acquiring the company's assets. First Super has formed a consortium with an international investor and the proponent of the Penola pulp mill. The group will ask the MIS investors to agree to an independent valuation and is also having talks with other asset holders including the owners of freehold and leasehold land. First Super said the discussions are a first step to see if commercial opportunities exist, taking into account the level of debt, outstanding land rental and forest management obligations.

**Harvest
suspended**

Timbercorp has suspended harvesting and wood chip deliveries in Western Australia. The Albany Port Authority usually exports some 370,000 tonnes of chips each year, nearly 10% of the port's trade. Brad Williamson from the Port Authority said although the suspension would have a significant impact on their export targets, he expected shipping would recommence. "I think eventually somebody will buy these assets... so what we're really looking at is a period of rationalising in the industry," he said.

**NZ truck
proposal**

The NZ Southern Wood Council has given its support for a government proposal to allow some trucks to carry heavier loads. The proposal would allow trucks to weigh up to 50 tonnes on specific routes; the current limit is 44 tonnes. A permit would be required to ensure the heavier trucks only travel on designated roads and bridges. Southern Wood Council chairman, Grant Dodson, said heavier loads would increase productivity and lower fuels costs. An earlier pilot trial which examined the impacts of increasing the allowed weight to 60 tonnes and the length to 24 metres indicated productivity increases of 63% and fuel savings of 22% could be expected. "Individual forest owners in the region will be providing feedback to the government on this. We look forward to seeing the proposal adopted into legislation," Mr Dodson said.

**Biomass
plants**

Grycksbo Paper in Sweden announced the start up of a new biomass boiler at its coated woodfree mill in Dalarna. The mill is still evaluating the viability of biofuel alternatives such as wood pellets and/or wood chips from branches and tree tops. The US\$16.8 million investment includes the new boiler, a smoke gas cleaning filter, equipment to handle the fuel and renovation of the turbine.

Finnish equipment supplier, Metso, reports it will supply a combined heat and power biomass boiler for the town of Keuruu in Finland. The 10 million euro boiler will use bubbling fluidized bed technology and use wood chips and milled peat as fuel. It will produce 15MW of heat and 5MW of electricity for the national grid. Startup is scheduled for the end of 2010.

Japan wood shortage

Biomass power plants in Japan are struggling to find enough wood and 30% have either suspended or reduced operations according to a recent survey by The Yomiuri Shimbun. The Japanese government revised its energy laws in 2000 to promote biomass power generation through subsidized construction of wood-fired power stations. Since then the number of such power stations has increased rapidly, from 12 in 1999 to 144 in 2008. Boiler facilities have also increased, from 174 in 1999 to 615 in 2008. As well as a raw material shortage, price was also mentioned as a reason for suspensions with one operator citing a ten-fold increase in wood chip costs over the past five years.

RFA report

An interim report released by the Australian Environment Department found that agreements between state and federal governments on logging areas were difficult to measure and harder to enforce. The report calls for changes to allow the Federal Government to take legal action when the agreement is breached. There are ten regional forestry agreements operating in Australia. Greens leader, Bob Brown, said the Rudd Government needs to follow the recommendations and strengthen the law. "It is crunch time for the Rudd Government and forests. The Prime Minister has done his best to avoid the issue but it is a simmering in the electorate," Senator Brown said.

Sustainable farming grants

NZ Ministry of Agriculture and Forestry (MAF) have announced new closing dates for grants for the Sustainable Farming Fund (SFF). Projects of NZ\$20,000 and over now close on 7 October 2009 and those under NZ\$20,000 close on 2 March 2010. The SFF has provided funding to more than 600 projects since 2000 and provides up to NZ\$9 million for initiatives benefiting primary industries. More information can be found at: www.maf.govt.nz/sff/

NZ forestry jnl

Some new papers have been added to the NZ Journal of Forestry Science. Volume 39 has articles on a stress-wave technique for green density values of Pinus radiata stiffness estimation; effect of thinning and processing practices on Eucalyptus nitens sawn wood quality and market access for NZ forest products and others. The articles can be downloaded at <http://nzjfs.scionresearch.com>

Tas mills review

Australian company PaperlinX has completed a review of its Burnie and Wesley Vale paper mills in Tasmania and concluded the financial position is unacceptable. The two mills were not included in the company's sale of Australian Paper to Nippon Paper. The PaperlinX board has deferred a decision on the future of the mills and is canvassing funding options with the state and federal government. Approximately 540 people are employed across both mills. PaperlinX managing director, Tom Park, said the company was talking to employees, customers, governments and banks to work out an operational model.

Gunns buy

Gunns have announced a significant purchase of shares in its rival, Forest Enterprises Australia (FEA), and now has a 17.9% holding. The purchase was funded by the placement of 5.7 million shares and a cash payment of A\$1.58 million. FEA has 72,000 hectares of plantations under management as well as a sawmill and a jointly owned wood chip export facility at Bell Bay in Tasmania.

WA mill closure

Fletcher Building is to close its Welshpool plant in Western Australia with the loss of 114 jobs. The site produced medium density fibreboard as well as veneers, process panels, bearers and low pressure laminates. MDF operations will be transferred to a newer facility in Queensland.

NZ tissue closure

Tissue manufacturer SCA Hygiene will close its Auckland plant in early 2010 with the possible loss of 118 jobs. SCA's director of supply, Kerrin Thomson, said the decision followed a review of the company's NZ operations. SCA has two other NZ sites, at Te Rapa, near Hamilton and Kawerau in the Bay of Plenty.

