

FINANCE AND MARKETING CONFERENCE PROVIDES INTER- NATIONAL INDUSTRY OUTLOOK

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THE FIRST WORLD CONFERENCE ON FINANCE AND MARKETING LOOKED AT THE STATE OF THE INDUSTRY AND CHANGING DEMANDS IN PAPER MARKETS INTERNATIONALLY.

RIO DE JANEIRO, BRAZIL, WAS THE SETTING FOR THE First World Conference on Finance and Marketing, held April 7–9. Sponsored by the Associação Nacional dos Fabricantes de Papel e Celulose (ANFPC), the Associação Brasileira de Exportadores de Celulose (ABECEL), and Papercast-Economie Papetière, it drew 430 attendees from 32 countries.

The choice of Brazil as the setting for the conference reflected the continuing growth of the country's pulp and paper industry over the past three decades. Brazil leads the world in supplying high-quality eucalypt fibers, and it offers a large untapped potential for growing softwood and hardwood fibers in the years ahead.

John W. Creighton Jr., president and CEO of Weyerhaeuser Co., was the keynote speaker on Tuesday morning, April 8. He focused on "Our corporate commitment to our stakeholders," defining that group as customers, employees, residents of communities where the corporation does business, and shareholders. Three imperatives stand out for the industry, he said: be profitable, perform well environmentally, and listen to stakeholders.

He pointed out some disturbing data on the industry's financial performance. Trend margins have been flat for the past 20 years. Average returns to the industry for the past 10 years have not exceeded the cost of capital—"and ours is the most capital-intensive industry in the world," he noted. The value of forest products industry stocks as compared with the S&P 500 is now at a 30-year low. The cyclical nature of the industry is certainly a factor in these numbers, but the industry must find ways to employ capital wisely in order to increase its average return on investment.

Some things Weyerhaeuser is doing to use its capital wisely include acquiring existing facilities when it makes

financial sense to do so, rather than building new ones; increasing productivity in existing mills; and using profit-sharing and bonus plans to give employees a greater stake in the financial success of the company. All senior managers are required to own significant amounts of company stock.

The conference program featured 26 papers in four areas: the changing world's economic and industry outlook; market pulp perspectives; the rousing paper market in developing countries; and the slowing paper market in developed countries. Three discussion panels looked at meeting pulp demand and customers' expectations; the developing world's challenges and perspectives; and adapting to a changing market. David A. Clark, former managing director of CEPI and a consultant in the United Kingdom, was the conference chairman.

Conference sessions on the changing world market included "The world economy and investors' expectations" (Francisco Gros of Morgan Stanley Latin America Inc., United States); "Wood pulp futures: A product whose time has arrived" (Olof Stenhammar of OM Gruppen AB, Sweden); "Fiber requirements to meet pulp, paper, and paperboard demand to 2010" (Karl-Hermann Schmincke of the Forest Products Division, Food and Agriculture Organization of the United Nations, Italy); "The increasing need for high quality fibers from plantation forests" (Celso Foelkel of Riocell S. A., Brazil); "The next technology leap in kraft pulping" (Ingemar Croon of CroonConsult AB, Sweden); and "Structural changes in the printing papers markets" (L. Scott Barnard of Champion International Corp., United States). Osmar Elias Zogbi, president of ANFPC and president of Ripasa, Brazil, was chairman of this session.

Sessions on market pulp perspectives included "The industry's challenges" (Luiz Kaufmann of Aracruz Celu-

lose S. A., Brazil); "Pulp supply and demand in Indonesia to the year 2002" (Sukanto Tanoto of Raja Garuda Mas International Corp., Indonesia); "Long-term market pulp supply and demand" (Clint M. Kennedy of Georgia-Pacific Corp., United States); "Strategic issues for the Brazilian eucalyptus pulp industry" (Cristina Moreno of Bahia Sul Celulose S. A., Brazil); "New trends in market pulp" (David Pineault of Pulp Resource Information Systems Inc., United States); and "Eucalyptus fibers' contribution to quality tissue paper" (Ruy Haidar of Fábrica de Papel Santa Therezinha S. A., Brazil). Dominique Binet, purchasing director of Arjo Wiggins Appleton, France, was chairman of this session.

Sessions on growing paper markets in developing countries included remarks by chairman Luiz Otávio Valadares, president of ABCECEL and president of CENIBRA, Brazil; "Supply and demand of paper in Latin America" (Ernesto Ayala of CICELPA and CMPC, Chile); "Financing the developing world's growth" (Rainer Häggblom of Jaakko Pöyry Consulting Oy, Finland); "Pulp and paper markets in Brazil" (Nilson Mendes Cardoso of RIPASA and ANFPC, Brazil); "The Chinese paper markets and fiber requirements" (Zhimin Yang of Tri-Union [U.S.A] Inc., United States); "Global trends in new paper machine investments" (Otto Freund of Valmet Chile Ltda., Chile); and "The Brazilian containerboard industry" (Oscar B. Fears Jr., of Rigesa Ltda., Brazil).

Sessions on slowing paper markets in developed countries included remarks by chairman Bo Wergens of the FAO Committee in Sweden and past chairman of the Swedish Pulp and Paper Association; "Financing with the EU institutions" (Jeremy Wall of the Wood and Paper Industries Unit, DG III/C/5, European Commission, Belgium); "The printing and writing markets in North America" (Richard E. Storat of the American Forest & Paper Association, United States); "The printing and writing markets in Europe" (Malte A. Andersson of MoDo Paper AB, Sweden); "The growing overseas markets for European uncoated woodfree suppliers" (Luis Deslandes of Soporcel S. A., Portugal); and "The South Korean paper demand and fiber requirements" (Young S. Sunwoo of Hansol Corp., Republic of South Korea).

Some of the key points made during the conference sessions and discussions included:

- The pulp and paper industry is in a dynamic restructuring process as a result of mergers and acquisitions, and it is becoming more global and less fragmented.
- The pulp and paper business is showing low profits in this decade; two-thirds of mills show a return on an investment of 15% or less.

- The biggest challenge to companies is not aggressive competition, rather an attitude that leads to volatility in eroded prices and low margins.
- Scaling up of production and capital are strong concerns.
- Environmentally speaking, the industry has achieved competence, and recognition of this is coming from stakeholders.
- Objectives for the industry today are improved margins of profitability, fiber supply, and offer/demand ratios.
- The European market has reached maturity, and there are no indications for increased demand. The logical move is to switch marketing emphasis to Asia, where growth in pulp and paper is very sharp.
- Latin American countries show good potential for growing pulp and paper demand—over 5% a year. They are second to none in terms of providing fibers from high-quality plantation forests.
- Planted forests of eucalypts and pines are excellent sources of fibers, and they are environmentally and sustainably managed. Forest certification will provide reliability to this concept.
- Today's technologies are geared toward scaling up and speeding up production. Improvements have been made in minimum environmental impact mills.

Exhibitors at the conference included Kvaerner Pulping, Jaakko Pöyry Consulting, Champion Brazil, Koplik, Cellmark, and Star Shipping.

Several pre- and post-conference visits to points of interest were available to attendees. They included a visit to a mill owned by Aracruz in Espírito Santo State, north of Rio de Janeiro near the Atlantic Ocean. It is the largest market pulp mill in the world, with a capacity of 1.1 million tons of pulp from eucalypts.

A visit to Manaus in the heart of the Amazon Forest, where the Solimões and the Black rivers join to form the Amazon River, was another option. Roberto Samanez, the FAO's chief technical adviser on the Amazon Treaty, addressed the participants on this forest, which has been called "the lungs of the world." The visit included a boat trip to see the "meeting of the waters," as well as an outing to the forest itself.

Another mill visit took participants to Klabin's pulp and paper mill in Telemaco Borba in the state of Parana. The mill manufactures newsprint, liquid packaging board, and kraft linerboard, as well as mechanical pulp and softwood and hardwood chemical pulp. **TJ**

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