

# PULP DIRECT

3/2016

UPM PULP • CUSTOMER NEWSLETTER



# A GROWTH STORY

By the end of 2017 UPM Pulp will have increased its pulp production capacity by more than half a million tonnes in just four years. Investments are significantly boosting the company's ability to supply high quality pulp.



The capacity increase has been accomplished cost-efficiently by upgrading and optimising available assets and processes.

“These highly targeted investments began in 2013. They are evidence of UPM’s growth strategy, and are also a clear statement that we are strongly committed to the pulp business. Despite the decline in graphic papers, I’m completely convinced that fibre-based products have a bright future,” says UPM Pulp’s **Tomas Wiklund**, Vice President for Sales and Marketing.

UPM first invested in a completely new pulp drying machine at its Kymi mill, and is currently further upgrading processes to increase production capacity. Both pulp drying machines have been modernised at the mill in Kaukas, and a new baling line has been built. Related assembly work took place during the autumn shutdown.

“These investments further enhance our ability to serve customers and reliably supply them with pulp when they need it.”

### SECURED SUPPLY

The pulp market is currently in an interesting state, with the supply and demand side seeming to drive the market in differing directions. On the one hand, the supply of pulp is increasingly focused on Latin America, with a stream of fairly similar grades of eucalyptus pulp. On the other hand, customers are insisting on individual pulp solutions.

“It will certainly be exciting to see which trend prevails. Will customers ask for more generic products, or will each and every pulp buyer begin tweaking requirements according to specific preferences,” Tomas ponders and continues:

“It naturally gives us an edge having two very distinct hardwood pulps, eucalyptus and birch, in our portfolio, together with several complementary Nordic softwood pulps from Finland.”

The UPM investment strategy also avoids putting all of the eggs into one basket, with upgrades in production capability spread across all pulp mills. UPM Pulp is accordingly more cost-effective and competitive. Tomas sees this translating into customer benefits.

“I hope we have been able to give our customers peace of mind that their pulp supply is secure.”

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Tomas also believes that the customer structure is evolving, together with the structure of the industry as a whole.

“Both customers and suppliers are getting bigger and more selective. Pulp buyers will be increasingly cautious when selecting partners who can keep pace with their growth. Customers want established and reliable partners to minimise their risks in a volatile market.”

### FUTURE CONSIDERATIONS IN URUGUAY

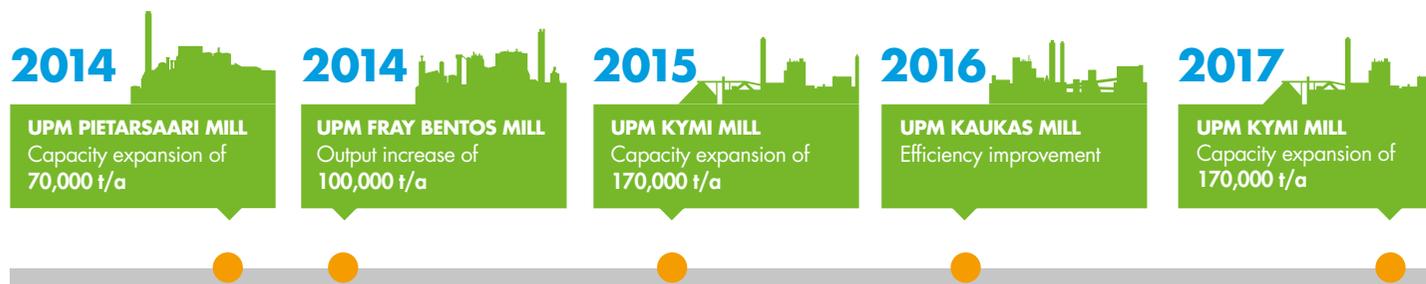
As part of its growth track, UPM is considering long-term development options in Uruguay and pursuing discussions with the national government on the critical role of logistics infrastructure.

“We are investigating the prospects for expanding our Uruguay pulp operations in the early 2020s,” Tomas says.

While preliminary studies have shown that Uruguay could accommodate a new large pulp mill with proven environmental performance, the current rail and road networks would need a major upgrade to support large-scale, export-oriented operations in the Uruguayan heartland.

“With growing global demand for fibre, I think expanding in Uruguay would be exactly the right approach to keep us relevant.” ●

## THE LATEST PRODUCTION IMPROVEMENTS AT UPM PULP





# KOTKAMILLS AIMS TO SOAR INTO NEW HEIGHTS WITH CONSUMER BOARDS

**KOTKAMILLS**

**RESPONSIBLE, RENEWABLE, RECYCLABLE, REUSABLE.**

Kotkamills and its revolutionary consumer board products tick all sustainability boxes.

## KOTKAMILLS FACTS

- Founded in **2010**
- About **500** employees
- **95%** of output is exported

Manufactures consumer boards, together with laminating papers for the laminate and plywood industries and timber for demanding joinery and construction

Pressure is growing to minimise waste and find alternatives to non-renewable raw materials, with brand owners, companies, environmental organisations, governments and consumers all demanding solutions that are not only ecological but also cost-effective. One such solution was introduced this summer by Kotkamills when a new board machine began operating in July 2016.

Part of an investment of EUR 170 million, this machine can make 400,000 tonnes of folding boxboard and water-based dispersion coated barrier board annually.

The barrier layer is an essential component of every disposable food container or packaging. For example it prevents liquid from leaking out of paper cups or grease from seeping through wrappers. Many people are unaware that this thin layer is typically made of plastic, resulting in packaging that is difficult and expensive to recycle.

"We were keen to develop and manufacture next-generation barrier boards that are fully recyclable by consumers and repulpable with no major after-treatment. We can add these barriers on the machine to make a completely unique product. Nobody else is currently mass producing anything like this," says **Filip Sundholm**, Production Director at Kotkamills.

A paper and pulp man through and through, Sundholm was part of the product development team. He supervised the assembly and start-up of a machine

constructed alongside a continuously operating laminating paper machine on the same premises, and he now refers to the new machine and the Kotkamills production team like a proud father.

"I think we just broke the world record for the fastest completion of a start-up project. Our people did an amazing job. They have shown commitment and flexibility as true professionals. Who wouldn't like to be in their shoes now, with an opportunity to operate the most advanced board machine ever," Sundholm has nothing but praise for the engineers and operators at Kotkamills.

On visiting the Kotkamills site to view the machine and new facilities, we could definitely sense a certain contentment and pride among the operating crew, who radiate a general mood that "we made this happen".

"Staff satisfaction and development throughout the organisation is one of our top priorities. It's very important to get everyone involved in this kind of project right from the beginning."

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"I think we just broke the world record for the fastest completion of a start-up project."



Filip Sundholm, ▲  
Production Director  
Kotkamills



## HIGH STANDARDS

The new board is designed for versatile consumer packaging applications such as demanding food and beverage, confectionery, pharmaceutical and cosmetic packaging, and more familiar disposable paper cups. The product must pass the strictest food contact and quality tests.

"The certification process was a complicated undertaking. Our own manufacturing, products and suppliers had to satisfy a wide range of requirements," Sundholm says.

Kotkamills emphasises responsibility in all of its operations, not least because the mill is right next to a major residential area and on the coast of the Gulf of Finland, which is an environmentally delicate sea area.

Responsibility is also part of the manufacturing philosophy of Kotkamills.

"We make products using wood that comes exclusively from verified and legal sources. Our chain-of-custody is certified under the PEFC™ and FSC® standards. Besides meeting these environmental requirements, we strive to supply products that our customers can use profitably," Sundholm says.

Consumption is still increasing, not only in developing regions of the Far East such as China, but globally. Sundholm notes that brand owners, citizens and governments are finally starting to appreciate the consequences of current consumption patterns, with a worldwide shift to cut back on using non-renewable raw materials.

"Synthetic materials such as oil-based polymers are already facing bans across entire industries in many countries. The challenge is to find replacements for plastic, and materials based on both virgin and recycled natural fibre are the future. This is a great opportunity for Kotkamills. Our new consumer board products have attracted a lot of attention from customers."

Natural fibre is also a bridge between Kotkamills and UPM Pulp. Kotkamills chose UPM as its sole pulp supplier and technical partner for new carton board products.

"The early months have already shown that UPM pulps are easily refinable and extremely suitable for us."



**Mats Backman,** ▲  
Director of Technical Customer Service  
UPM Pulp

**Pekka Rossi,** ▲  
Sales Manager  
UPM Pulp

# Everything simply works."

Filip Sundholm, Kotkamills



## DID YOU KNOW?

"Kotka" is the Finnish word for "eagle", and Kotkamills is based on the island that includes the downtown district of the City of Kotka.

This background explains why the company named their folding boxboard range **AEGLE** and their food service range **ISLA**.



## LOCAL AND GLOBAL – OLD AND NEW

Located in the city of Kotka on the south coast of Finland, **Kotkamills** is both a historic mill site established in 1872 and the home of the world's most sophisticated carton board machine. The company also operates in Tainionkoski, Finland and in Malaysia.



### A COMPLETE PACKAGE

The majority shareholder in Kotkamills is a Finnish private equity firm called MB Funds.

"As a small to medium-sized mill, we have the agility and flexibility to react rapidly to customer requirements, but we don't have the backing of a major corporate interest. This underlines the need for capable and reliable partners," Sundholm explains.

"I think the partnership with Kotkamills is a perfect fit, starting with the geographical advantages. The nearest UPM pulp mill in Kymi is just 60 kilometres from Kotka," says **Pekka Rossi**, Sales Manager at UPM Pulp.

**Mats Backman**, Director of Technical Customer Service at UPM Pulp, adds that UPM was in a position to supply Kotkamills with a complete package of high quality products and services.

"As these consumer boards were completely new products, Kotkamills told us that they were seeking a partner who could supply the right pulp and provide technical support with a view to achieving the target performance level at the earliest opportunity."

Kotkamills had a long list of requirements for their chosen supplier, ranging from consistent fibre quality to guaranteed availability of birch and Nordic softwood pulp grades.

"For example all the pulps that we supply must meet the agreed technical specifications and be sourced from certified forests," Backman explains.

The collaboration began with fibre analysis and careful board simulations at the UPM Research Centre laboratories in Lappeenranta. This gave both companies a good indication of the product properties that could be achieved with UPM pulp, even before ramping up the new machine.

Pekka Rossi explains that Kotkamills also challenged UPM in many other ways.

"Kotkamills were keen to improve occupational safety and efficiency. They suggested that we could significantly reduce the use of metal wiring around our pulp bales. Recent investments at Kymi enabled us to make bales so compact that they can be held together safely with only two wires."

"Kotkamills have now reached the point of the start-up curve where we are jointly optimising the furnish, pulp usage and logistics arrangements," Rossi says.

On behalf of the entire team of engineers at Kotkamills, Sundholm expresses a high degree of satisfaction with collaboration to date.

"The early months have already shown that UPM pulps are easily refinable and extremely suitable for us. Everything simply works." ●

# CONTINUOUS SUSTAINABILITY LEADERSHIP



UPM has once again been listed as Forest and Paper industry leader on the Dow Jones Sustainability Europe Index.



Investment specialist RobecoSAM invites over 3,400 publicly traded companies to take part in an annual Corporate Sustainability Assessment and qualify for the Dow Jones Sustainability Indices.

The assessment is based on a rigorous analysis of the economic, environmental and social performance of the world's leading companies, assessing issues ranging from climate change strategies, supply chain standards and labour practices to corporate governance and risk management.

## ROBECOSAM We are Sustainability Investing.

Continuously responsible operations and new innovations such as lighter publication paper grades, renewable diesel, and biochemicals for medical and other end-uses were some of the factors that contributed to UPM's industry leadership in 2016–2017.

The Forest and Paper industry subgroup is part of the Materials industry group. ●



## FIBRE UNITED EXPANDS INTO KOREA



The world's fifth largest pulp market will be included in Fibre United co-operation as of January 2017.

Launched in 2014, Fibre United is a marketing co-operation vehicle for UPM Pulp and Canfor Pulp, whereby the UPM Pulp sales network represents and co-markets Canfor Pulp in Europe and China, while the Canfor Pulp sales network reciprocates for UPM Pulp in North America and Japan. The latter operation is now expanding into Korea.

Fibre United enables two internationally recognised companies to supply the world's widest selection of hardwood and softwood pulps directly from producer to customer, with six grades supplied from eight mills on three continents together with proactive technical support.

"The Korean expansion evidences our commitment and desire to continue improving Fibre United operations," says **Tomas Wiklund**, Vice President for Sales and Marketing at UPM Pulp. ●



◀  
**Jackie Yoo**,  
President  
Canfor Korea Ltd,  
will lead the  
Korea office.

## FROM THE EDITOR



Dear Reader,

This is the time of the year when planning for the next 12 months reaches its highest peak. An essential part of planning the future is a glimpse into the past to check we are on the right course, pick the most important lessons and enjoy achievements.

For UPM Pulp 2016 has been a year when big development steps have materialised, boosting our ability to supply customers with consistent high quality pulp. In this edition of Pulp Direct we review the main developments through which we will, by the end of next year, have successfully expanded our pulp production capacity in recent years by a total of 500,000 tonnes - equivalent to the entire annual output of a medium-sized pulp mill.

Another exciting development that you can read about is the expansion of Fibre United to Korea.

In this issue of Pulp Direct you will discover that 2016 has also been a very special year for Kotkamills with the start of their unique new consumer board machine which came into operation in record time in July, and how they made that happen.

**We hope you enjoy a good read!**

**SARI HÖRKKÖ**

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# WANT TO KNOW EVERYTHING ABOUT PULP?

**U**PM Pulp School is a new training event for pulp users that seeks to give participants a holistic view of pulp and lets them experience how this material is responsibly manufactured in practice. This involves a complete review of the product life cycle of pulp from the forest to the customer and final end-uses.

German tissue maker WEPA devoted three days to UPM Pulp School, with two groups drawn from their purchasing and technical teams.

"I think it's important for our team to understand what pulp is and what makes it a responsible product," explains **Burkhard Krücke**, Head of Purchasing at WEPA.

Krücke reports that both WEPA groups were pleased with the visit and its hands-on approach. They particularly appreciated the forest excursions, planting of seedlings and pulp mill visit. ●

▼ **PULP SCHOOL "STUDENTS",**  
Having a blast planting seedlings.



**ARE YOU INTERESTED IN UPM PULP SCHOOL?**

Your UPM sales contact can provide further details.



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**UPM PULP**  
CUSTOMER NEWSLETTER

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