VALOIS VISION MARKETING

MARKET PULP SERVICE

Pulp Downtime Survey — June 2004 Results

Maintenance downtime hit the industry hard in May as the industry's sellers and buyers and their agents met in Vancouver. Although buyers were aware of the production curtailments, they still tried to let their suppliers know that the recent string of pulp-price increases was too much too fast given paper prices — especially in Western Europe. However, the lower production in May was not discretionary — it was imperative given how strong the mills had been running since last year to accommodate the heightened demand.

In May, 235,000 tonnes were reported before Tembec's and Weyerhaeuser's outages were added; their production curtailments were spread out during Q2. Softwood and hardwood outages appear to have been fairly evenly distributed during May.

In June, intended downtime is down significantly as fewer mills are expected to have undergone repairs; however, almost 130,000 tonnes of outages have already been announced. About 60% of the outages are hardwood-based.

In July, intended downtime is only marginally less than June's level. Some 116,000 tonnes have been announced or are planned for July. Intended hardwood outages are expected to reach 65,000 tonnes, versus 51,000 for softwood.

In the end, downtime continues to trend downward as virtually only maintenance repairs are undertaken, leaving behind market-related curtailments as prices continue to improve for suppliers.

Although our survey does not capture most of the lost production due to mills swinging from hardwood to softwood production, some entries do — such as Smurfit-Stone at Panama City, and Parsons & Whittemore's Alabama River mill.

Michel Valois, MBA

Tel: (604) 942-8547/Fax: (604) 942-8594

VALOIS VISION MARKETING

NORTH AMERICAN Chemical Market-Pulp Mills
Downtime in May • June • July 2004

from questionnaire responses June 2004

		Company	Location	Tonnage Removed (metric): Market-Related (discretionary) Hardwood	Market-Related (discretionary) Softwood	Maintenance, Strike, etc. (non-discretionary) Hardwood	Maintenance, Strike, etc. (non-discretionary) Softwood	
MAY		(Actual)						
Canada		Al-Pac	- Athabasca	-	-	15,000	-	
		Canfor (Intercon)	- Prince George	-	-	-	9,400	
		Domtar	- Espanola	-	-	1,600	3,000	
		International Paper	- Hinton, Alberta	-	-	-	16,300	
		Irving	- St-John	-	-	-	7,000	
		Kimberly-Clark	- Abercrombie Pt.	-	-	-	7,600	
		Norske Skog	- Crofton	-	-	-	4,900	
		Norske Skog	- Elk Falls	-	-	-	6,000	
		Pope & Talbot	- Nanaimo	-	-	-	2,500	
		Smurfit-Stone	- Portage-du-Fort	2,000	-	-	-	
	**	Tembec	- Systemwide	-	-	-	-	
U.S.		Boise Cascades	- Wallula	-	-	-	5,150	
		Domtar	- Woodland	-	-	12,000	-	
		International Paper	- Systemwide	-	-	20,000	15,000	
	*	Mills (2)	- Georgia & Mississippi	-	-	-	6,000	
		P&W (Alabama Pine)	- Perdue Hill	-	-	-	700	
		P&W (Alabama River)	- Perdue Hill	-	200	-	-	
		Smurfit-Stone	- Panama City	3,500	-	-	-	
	***	Weyerhaeuser	- Systemwide	-	-	-	-	
				5,500 +	200 +	48,600 +	83,550 =	137,850
JUN		(Expected)						
Canada		Domtar	- Lebel-S-Quévillon	-	-	-	4,500	
		Pope & Talbot	- Nanaimo	-	-	-	15,000	
U.S.		International Paper	- Systemwide	-	-	10,000	10,000	
	*	Mills (2)	- Georgia & Mississippi	-	-	-	7,000	
		P&W (Alabama Pine)	- Perdue Hill	-	-	-	700	
		P&W (Alabama River)	- Perdue Hill	-	200	-	-	
		Smurfit-Stone	- Panama City	4,000	-	-	-	
	***	Weyerhaeuser	- Systemwide	-	-	-	-	
				4,000 +	200 +	10,000 +	37,200 =	51,400
JUL		(Expected)						
Canada		Celgar	- Castlegar	-	-	-	17,000	
		Western	- Squamish	-	-	-	8,750	
U.S.		International Paper	- Systemwide	-	-	10,000	7,000	
	*	Mills (2)	- Georgia & Mississippi	-	-	-	7,000	
		P&W (Alabama Pine)	- Perdue Hill	-	-	-	700	
		P&W (Alabama River)	- Perdue Hill	-	200	-	-	
		Smurfit-Stone	- Panama City	4,000	-	-	-	
	***	Weyerhaeuser	- Systemwide	-	-	-	-	
				4,000 +	200 +	10,000 +	40,450 =	54,650

* Company does not want to be identified.

** Tembec: total will be 20,000 tonnes in April and May.

*** Weyerhaeuser: total to reach 44,000 tonnes of softwood and 4,000 tonnes of hardwood in Q2.

Tonnages reported by the various companies have been rounded to the nearest 50 tonnes.

VALOIS VISION MARKETING

OVERSEAS Chemical Market-Pulp Mills
Downtime in May • June • July 2004

from questionnaire responses June 2004

	Company	Location	Tonnage Removed (metric) Market-Related (discretionary) Hardwood	Market-Related (discretionary) Softwood	Maintenance, Strike, etc. (non-discretionary) Hardwood	Maintenance, Strike, etc. (non-discretionary) Softwood	Total
MAY	(Actual)						
Europe	Billerud	- Systemwide	-	-	2,000	1,000	
	Mercer	- Rosenthal, Germany	-	-	-	9,000	
	Södra	- Mörrum, Sweden	-	-	3,000	9,000	
S. America	Aracruz	- Aracruz, Brazil	-	-	12,000	-	
	Cenibra (Line 2)	- Belo Oriente, Brazil	-	-	9,340	-	
	CMPC	- Pacifico, Chile	-	-	-	1,200	
Asia/Oceania	APP (Systemwide)	- Indonesia	-	-	14,000	-	
	Carter Holt Harvey	- Kinleith, New Zealand	-	-	-	10,000	
	Kiani Kertas	- Indonesia	-	-	15,000	-	
	Phoenix	- Khon Kaen, Thailand	-	-	7,000	-	
	PT Tanjungenim Lestari	- Indonesia	-	-	5,000	-	
			0 +	0 +	67,340 +	30,200 =	97,540
JUN	(Expected)						
Europe	Heinzel-Biocel	- Paskov, Czech Republic	-	-	-	2,000	
	Metsa-Botnia	- Finland	-	-	6,000	10,000	
	UPM	- Wisaforest, Finland	-	-	2,000	1,500	
		- Kaukas, Finland	-	-	2,000	-	
	VCP	- Systemwide	-	-	30,000	-	
Asia/Oceania	APP (Systemwide)	- Indonesia	-	-	14,000	-	
	Kiani Kertas	- Indonesia	-	-	10,000	-	
			0 +	0 +	64,000 +	13,500 =	77,500
JUL	(Expected)						
Europe	ENCE	- Huelva, Spain	-	-	17,000	-	
	Metsa-Botnia	- Finland	-	-	10,000	10,000	
Asia/Oceania	APP (Systemwide)	- Indonesia	-	-	14,000	-	
	Kiani Kertas	- Indonesia	-	-	10,000	-	
			0 +	0 +	51,000 +	10,000 =	61,000

Tonnages reported by the various companies have been rounded to the nearest 50 tonnes.