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# TWM

TISSUE WORLD MAGAZINE

## TURKEY

The tissue powerhouse of Europe and the Middle East?

### PLUS:

#### WORLD NEWS

K-C reports "challenging environment"

Essity warns of further consumer price hikes

Clearwater records "competitive tissue market and high pulp prices"

#### MARKETISSUES

Should the US be concerned by the small but growing trend of tissue coming from Asia?

#### CONSUMERSPEAK

'Lights, camera, clean-up' - keeping the talent looking good on the film set

#### EXITISSUES

Georgia – rising tissue market in Caucasus Mountains



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Cover: image of the top five importers of Turkey's tissue parent rolls (UK, Greece, Israel, Iraq and Bulgaria) which amounts to 30% of its total tissue production. By PURPLEPRINT Creative.

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# After 15 years of outstanding economic performance how fit are Turkey's thriving tissue companies to face the expected slowdown?

**T**he chart on the wall of Turkey's economic performance in the last 15 years has an impressive upward curve.

To select just a few of the headlines: outstanding growth with GDP tripled and a per capita rise from 3,660 to 10,714 US\$; incomes up and a dynamism in its young, open-minded and increasing population; rapid urbanisation, crucially linked to a widespread expansion of modern grocery retail outlets enabling per capita sales up from 2.7kg to 4.5kg in ten years; foreign investors increased fivefold; one of the world's fastest growing economies, PricewaterhouseCoopers predict the 11th biggest by 2030; machinery in relatively good shape ... risk assessment of size, technical age and competitive capital requirements puts it at moderate, but lower than most of Europe; and Turkey's incomparable geographic location ... a gateway to potential east and west.

Tissue sales, while doing well, trail national prosperity rates, hence some overcapacity. So the international reach of Turkish tissue, already impressive, continues a pace. Our Country Report talks to the top firms.

Hayat Kimya's development since TWM last reported from Istanbul has been little short of phenomenal. Lütfi Aydin, global tissue production director, charts the long list of countries in which it is, and has strategies to be, a major player. He also points to one key

development, a co-generation plant at Mersin, southern Turkey: "Our production costs are very high at the moment. This is without doubt the biggest problem for the world's tissue mills ... this is key for our long-term competitiveness ... our energy production capacity is now much higher than our needs."

At Turkish tissue pioneer Eczacıbaşı Consumer Products marketing director Asli Bicer gives as comprehensive an analysis of a dynamic and progressive business strategy any outsider is likely to find in our interview – 'The company behind generic 'Superbrand' Selpak sees no limit to its expansion plans;' Fatih Çapar, general manager of Parteks Paper Industry which exports across the world says "Turkey is becoming the tissue capital of the Middle East and Europe."

He also tells us of a Turkish proverb: "There is no rose without a thorn."

Some analysts predict a slowdown in Turkey's economy. The wave of easy credit which partly fired the growth means a current-account deficit risen from \$33.7bn at the end of 2016 to \$41.9bn; foreign direct investment roughly half what it was a decade ago; political upheavals at home, and military and political turmoil in countries to Turkey's east have seriously hit trade; prices surged by 13% in the year to November, the highest rate in 14 years, and more than double the central bank's target; the lira losing about a tenth of its value



against the dollar since the start of 2017 and nearly 40% since early 2015.

Turkey needs to draw back from debt, and to invest in sustainable growth. Its companies have a high tolerance for flux. They are still growing, but margins are going down, and management skills are getting more and more important. Inside, tissue bosses demonstrate how on target they are.

## Welcome to TW Istanbul - the only dedicated tissue event connecting East and West

As the tissue industry in Eastern Europe, Russia, CIS, the Middle East, central Asia and Africa continues to show impressive growth, we look forward to welcoming all those attending the second edition of Tissue World Istanbul held between 4-6 September.

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# Should the US industry be concerned by the small but growing trend of tissue coming from Asia?

**Imported bath tissue, kitchen towels and napkins are being sold in discount grocery stores and large supermarket chains in Chinese, Japanese and Korean enclaves in large metropolitan areas. Will shipping costs allow that to work? Industry analyst Greg Grishchenko reports.**

**T**issue – the paper industry's bright spot – continues to grow steadily and globally, absorbing resources from declining writing paper and newspaper businesses. As a consumer market commodity, the sector's products are being exported across the globe with increasing pace. It hasn't, to-date, been profitable to ship products on any kind of volume level from, say, China, to be sold on the shelves of Asian, and US discount stores and supermarkets in US towns and cities.

But the shifting trends of consumer goods across the world have many sources: GDP; the growth or decline of the middle class; demographics; political and military upheavals; cultures.

A few examples will show how dramatic the changes can be. For newly independent countries such as those of the former Soviet Union in Central Asia (Kazakhstan, Uzbekistan, Tajikistan and Turkmenistan), the export of tissue and related goods makes sense.



Greg Grishchenko



Industry analyst



**Above:** Bath tissue from South Korea's Mirae Well Life on sale in a Korean supermarket





*Above: Korean supermarket in Fort Lee, New Jersey, USA*

This region's tissue industry can be explained as an inheritance from the collapsed Soviet empire building paper mills in the North to be closer to abundant forest resources. Currently, consumer tissue needs for this region are fulfilled by the growing and prosperous Turkish paper industry.

In Latin America, as recently as 25 years ago, Venezuela was one of the richest countries in South America with three major domestic tissue paper manufacturers – Manufacturas de Papel, Papeles Venezolanos and a Kimberly-Clark (K-C) subsidiary. Today, its local tissue manufacturing has collapsed. K-C has left the country, and struggling citizens walk across the border to neighbouring Colombia, bringing back jumbo packages of bath tissue alongside food.

In addition to political and military conflicts, consumer tissue export and import activities continue to be driven by economic and demographic aspects. However, in the USA we are seeing a peculiar trend connecting tissue consumption and ethnicity in developed markets.

Exporting tissue products into the USA is a risky business. Being home to the top global players in tissue products – K-C, Georgia-Pacific and Procter & Gamble – and having consumers with the highest per capita tissue consumption, should the \$17bn US retail tissue market be concerned with the small but growing slice (around 1.2%) of tissue coming from Asia?

Presently imported bath tissue, kitchen towels and napkins from China are not only being sold in discount grocery stores but also in large supermarket chains in Chinese, Japanese and Korean enclaves in large metropolitan areas in the USA.

Tissue production and converting is a completely automated process where every step from tissue forming to cutting and packaging is performed with minimal human involvement.

Labour costs are limited to 15-20% of total, and costs across the globe comprise nominal variation. Profit margin pursuit occurs around energy consumption, shipping, handling, advertising and distribution.

The most profitable export format can be illustrated by the modus operandi of Solaris Paper, the US-based converting subsidiary of Chinese/Indonesian Sinar Mas Group – parent company of Asia Pulp and Paper (APP). Solaris Paper claims its new bath tissue Fiora is the fastest growing brand in the United States consumer tissue market. Along with its sister companies Mercury Paper and Oasis Paper, Solaris obtains jumbo roll shipments from China in 40ft containers with up to 28 tonnes of jumbo rolls.

This volume can be converted to 120,000 bath tissue rolls with the price

**In Latin America, as recently as 25 years ago, Venezuela was one of the richest countries in South America with three major domestic tissue paper manufacturers – Manufacturas de Papel, Papeles Venezolanos and a Kimberly-Clark (K-C) subsidiary. Today, its local tissue manufacturing has collapsed.**





**Above:** Elleair facial tissue from Daio Paper Corporation, Japan, on display in Japanese supermarket Mitsuwa

of about 70 cents per roll. So some \$1,800-\$2,000 shipping costs from Shanghai to California may take away a few pennies per roll from a profit margin.

Other noticeable exported tissue goods coming from China in the form of bath tissue can be found in organic food isles of all the major grocery chains across the United States.

True Green Enterprises based in Boca Raton, Florida, represents itself as ecologically-friendly and “women-owned”, with claims of being 100% renewable and USDA-certified as biobased product made of sugar cane and bamboo grass.

Ultra Green based in Plymouth, Minnesota, also claims the ecological superiority of bamboo fibres over tree-based ones. While both companies

state US-based addresses, these tissue products are quite pricy (about 50% over similar conventional toilet roll made of recycled or virgin pulp) and are exported from China under ambiguous assertion “made in PRC”. Ironically, such tissue products with strong environmental claims are coming from the country with a questionable ecological history.

It is not easy, however, to explain exports of Japanese and Korean tissue products to the United States based on profits only. South Korea-based tissue manufacturer Mirae Well Life Co supplies its 3-ply Jaljip/Deco bath tissue and kitchen towels to H-Mart Korean supermarket chain with 60 locations in 12 US states.

This chain is owned by South Korean-owned, \$1bn grocery holding Han Ah Reum, with the majority of food

groceries coming from Korea and minimal US domestic supplies (mostly fresh produce and dairy).

Similarly, Japanese food supermarket chain Mitsuwa – with 10 US locations in four states – is being stocked with toilet paper, kitchen towels and napkins from three key Japanese paper companies: Elleair from Daio Paper Corporation, Nepia from Oji Nepia Co. and Scottie from Nippon Paper Crecia Co. In fact, Scottie is a Kimberly-Clark licensed facial tissue brand manufactured in Japan.

Shipping converted and packaged tissue products to overseas destination is rather less profitable than jumbo rolls. For example, Korean Mirae Well Life uses shipping containers from South Korea that hold about 7.5 tonnes of finished tissue goods – almost four times less than jumbo roll load.

**Shipping converted and packaged tissue products to overseas destination is rather less profitable than jumbo rolls. For example, Korean Mirae Well Life uses shipping containers from South Korea that hold about 7.5 tonnes of finished tissue goods – almost four times less than jumbo roll load.**

The connection, and the marketing key, between ethnic groceries and tissue wares is obvious. It enhances profit considerations and responds to sentimental and nostalgic feelings from both immigrants and expats toward “the old country”.



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How big is the market and how is it growing?  
How is capacity changing?  
How competitive are we?  
Is there profitability in exporting?  
How do financial performances compare?  
Which regions have the most potential?

## OPERATIONS & PRODUCT DEVELOPMENT

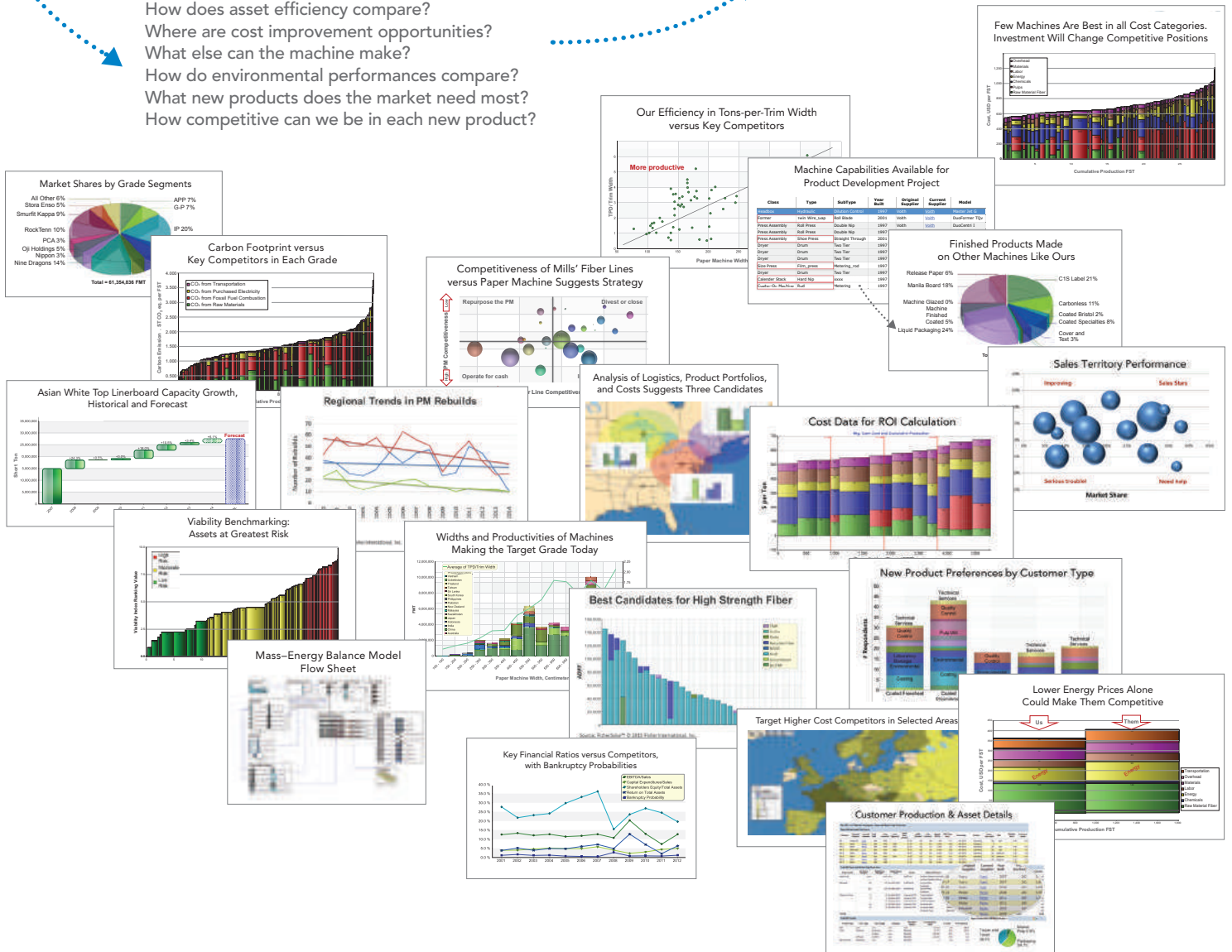
How does asset efficiency compare?  
Where are cost improvement opportunities?  
What else can the machine make?  
How do environmental performances compare?  
What new products does the market need most?  
How competitive can we be in each new product?

## SALES & MARKETING

Where are the best margins to be found?  
How cost-competitive is each asset?  
How attractive is the market for a new product?  
What's in the pipeline and where's the best ROI?  
Is sales well prepared?  
Who's a star and who's not?

## INVESTMENT, M&A, & ASSET DISPOSAL

What should be sold, repurposed, or closed?  
Which competitors should be targeted?  
Whose products and locations fit best?  
Where should capital be spent and why?  
Who has a long-term viability problem  
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## GLOBAL

**Stax targets multi-roll market with Dinamica 2.0 launch**

Stax Technologies has launched Dinamica 2.0, which it said is the fastest multi-roll wrapper on the planet.

Launched in June, the line has improved on the supplier's existing Dinamica and can now be used for packaging single rolls as well as for two, four or six rolls, as well as for packing single or double kitchen rolls.

Mladen Starcevic, founder and general manager at Stax Technologies, said: "The distinctive characteristic of Dinamica 2.0 is its astonishing packing speed, reaching the capacity of up to 270 packages per minute, or up to 1000 single rolls per minute.

"This speed became possible with a redesign of the most critical sections on the machine. For the first time in the tissue industry, we designed a continuous product infeed section on a multi-roll wrapper.

"As a result, we gained the stability of rolls stratifier and accomplished the maximum speed which is higher than the magical number of 220 packages per minute on the existing machines on the market."

He added that in order to achieve the speed, the company undertook a considerable redesign and upgrade of a linear guiding on overhead section.

Dinamica 2.0 can pack the rolls with a diameter of 90-160mm, and the length of 90-300mm, while the format changeover takes no more than 10 minutes.

**Andritz boosts product offering with acquisition of Novimpianti**

Andritz has boosted its product offering after signing a contract to acquire Novimpianti Drying Technology.

**Stax Technologies has launched Dinamica 2.0, which it said is the fastest multi-roll wrapper on the planet. Launched in June, the line has improved on the supplier's existing Dinamica and can now be used for packaging single rolls as well as for two, four or six rolls, as well as for packing single or double kitchen rolls.**

Owned by Novigroup and based in Lucca, Novimpianti is a global supplier of engineered equipment and services for air and energy systems to paper and tissue manufacturers.

It has 40 employees and annual sales of €10m.

The PM supplier said the acquisition further strengthens its product offerings in the field of air and energy systems, mainly for tissue and paperboard machines.

Pietro Saccomano, Novimpianti chief executive, said: "The ambitions of Andritz to further grow in the tissue and paper business and their international position were decisive for the decision to hand over our company and know-how to them.

"The sale of Novimpianti will grant Andritz continuous growth in the area of air and energy systems based on the solid foundation we have built during the past decades."

**K-C highlights progress towards 2022 sustainability target**

Kimberly-Clark (K-C) has highlighted its ongoing commitment to environmental sustainability in its 2017 Global Sustainability Report.

The report gives an update on its progress towards achieving its 2022 sustainability goals.

In 2017, key outcomes included:

- Social Impact – in the first two years, the lives of 4.3m people in need worldwide have benefited through programmes that increase access to sanitation, help children thrive and

empower women and girls;

- Forests & Fibre – sourced 89% of the fibre used in tissue products from environmentally preferred sources, including FSC-certified virgin fibre and recycled fibre;
- Waste & Recycling – further increased the amount of waste diverted from landfills (includes both manufacturing and non-manufacturing facilities) to 95%;
- Energy & Climate – lowered absolute greenhouse gas (GHG) emissions by 18% (from 2005 baseline) through improved energy efficiency and increased use of alternative energy sources.
- Supply Chain – invested in watershed analyses, as well as water treatment and recycling technologies, further reducing the company's water consumption in water stressed areas.

K-C has also expanded the programme in several areas: it began measuring and reporting on Scope 3 GHG emissions – the indirect emissions that occur both upstream and downstream in the supply chain – and will establish reduction targets later this year.

It also worked with the World Resources Institute and World Wildlife Fund to identify its primary sources of Scope 3 emissions.

The company plans to drive further gains toward its goal of diverting at least 150,000 metric tonnes of waste through programs that reduce waste through design, or divert it from low value disposal outlets to higher value, beneficial uses.

Thomas J. Falk, K-C's chairman and chief executive, said: "We continue to make strides in our efforts to create positive social and environmental change.

"That's why we are committed to an ambitious set of sustainability goals that will have a lasting impact on the people we serve around the world and the communities we touch."

**K-C has also expanded the programme in several areas: it began measuring and reporting on Scope 3 GHG emissions – the indirect emissions that occur both upstream and downstream in the supply chain – and will establish reduction targets later this year. It also worked with the World Resources Institute and World Wildlife Fund to identify its primary sources of Scope 3 emissions.**





## **K-C reports "challenging environment" in 2Q results; uncertainty remains over reports of potential divestment of its European tissue business**

Kimberly-Clark (K-C) has said its second quarter results reflect "a challenging environment" with rising competition, in particular from private label, as well as higher operational and raw material costs.

It reported a net sales increase for the quarter up 1% to \$4.6bn compared with the same period a year ago, however gross profit decreased 12% to \$1.4bn and operating profit was down 17% to \$674m.

Results were impacted by higher input costs in pulp and other raw materials as well as lower net selling prices and volumes. In North America, organic sales decreased 2% in consumer products and increased 2% in K-C Professional. Outside North America, organic sales rose 1% in developing and emerging markets and also in developed markets. Its consumer tissue segment reported sales increase of 1% to \$1.5bn for the quarter while operating profit decreased 16% to \$207m after being impacted by input cost inflation and lower volumes.

Thomas J. Falk, chairman and chief executive (pictured), said: "Our second quarter results reflect a challenging environment, particularly with commodity inflation.

"Nonetheless, we continue to manage our company with financial discipline as we generated \$150m of cost savings, reduced discretionary spending and returned approximately \$575m to shareholders through dividends and share repurchases."

He added the company will maintain its organic sales growth and will reduce its earnings outlook due to "significantly higher commodity costs and the weakening of most foreign currencies".

"While the near-term environment has become more difficult, we continue to execute our long-term strategies to grow our brands and deliver cost savings while we implement our restructuring that will make K-C an even stronger company," he said.

In July, a report by Reuters claimed that K-C was exploring the potential divestment of its European tissue business to private equity in order to help with costs and low volumes.

It is not yet known if any potential divestment would also include the European licenses for its brands sold in Europe. A spokesman for K-C declined to comment.

The Texas-headquartered company is running two concurrent cost-cutting programmes.

FORCE (Focused on Reducing Costs Everywhere) has been ongoing for several years and is said to have yielded \$110m of cost savings in the quarter.

An additional restructuring programme announced in January aims to close or sell 10 of the company's 91 factories worldwide and cut around 13% of its workforce (5,000 jobs).





**President and chief executive Magnus Groth:** "The market price for pulp is about 35% higher."

### Essity warns of further consumer tissue price hikes in 2Q results

Essity has reported increased net sales in its second quarter results but said that following "sharp" raw material price increases it was likely to implement further price hikes in its consumer tissue segment.

Group net sales for the quarter increased 5.6% to SEK 29,721m compared with the same period a year ago.

Pre-tax profit increased 15% to SEK 2,840m while the group's adjusted EBITA declined 3%.

In its consumer tissue division, the company said volumes decreased due to restructuring measures within the scope of Tissue Roadmap, "entailing lower sales of mother reels and lower volumes in emerging markets due to price increases".

Net sales for the segment increased 5.7% to SEK 22,119m. The increase was mainly attributable to Asia and Europe.

Magnus Groth, president and chief executive, said raw material prices – mainly pulp prices – have "increased sharply".

"The market price for pulp is about 35% higher compared with the corresponding period a year ago," he said.

"There was also a significant increase in the market price for oil-based raw materials. In total, higher raw material costs had a negative impact of SEK 1,144m on the group's earnings for the quarter, which corresponds to a negative impact on the adjusted EBITA margin of -4.0 percentage points.

"The achieved price increases in consumer tissue did not offset the higher raw material costs and the intention is therefore to implement further price increases."



*"Those results were achieved in spite of a competitive tissue market, and high external pulp prices and transportation costs," Linda K. Massman, Clearwater president and chief executive*

### Clearwater: 2Q result expectations met despite "competitive tissue market and high pulp prices"

Clearwater Paper Corporation has reported a net sales increase of 0.6% for the second quarter of 2018 compared with a year ago to \$432.1m.

Net earnings were \$7.0m, down from \$8.0m in 2017, due to "a weaker product mix in tissue products, higher input costs for transportation, wood fibre, and external pulp and reorganisation expenses".

This was partially offset by improved price and shipment volumes for paperboard, no planned major maintenance and lower expense associated with profit dependent accruals.

EBITDA was \$42.4m compared with \$45.7m for the second quarter of 2017. Adjusted EBITDA was \$42.6m, down 5.4%.

Linda K. Massman, president and chief executive, said: "We met our expectations in the second quarter due to record paperboard production and shipments, continued strong demand for paperboard and ultra-quality tissue, and cost savings from strategic capital and operational efficiency initiatives.

"Those results were achieved in spite of a competitive tissue market, and high external pulp prices and transportation costs.

"For the second half of 2018, we are acutely focused on improving operating profit, generating cash, completing the expansion work at our Shelby, North





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Carolina facility and optimising our network of assets to reduce costs and improve service to customers."

In its consumer products division, net sales for the second quarter were \$221.6m, down 4.5%.

The company said this decrease was "due primarily to lower prices and weaker product mix".

Operating loss for the second quarter of 2018 was \$3.6m, compared to operating income and margin of \$10.7 million and 4.6% respectively, in the second quarter of 2017.

Adjusted EBITDA for the segment was \$11.6m, down from \$27.7m, due to "lower average selling prices, the absorption of fixed costs over lower volumes of retail shipments and higher transportation costs".

Total tissue volumes sold were 90,386 tonnes in the second quarter of 2018, a decrease of 1.2% compared to 91,450 tonnes in the second quarter of 2017.

Converted product cases shipped were 12.0m in the second quarter of 2018, 5.4% lower than the 12.7m cases shipped in the second quarter of 2017. Average tissue net selling prices decreased 3.2%, or \$82 per tonne, to \$2,451 per tonne in the second quarter of 2018, compared to \$2,533 per tonne in the second quarter of 2017, primarily due to product mix.

### Resolute reports "improved operational performance" but tissue segment incurred operating loss in 2Q results

Resolute Forest Products has reported net income for the quarter ended 30 June 2018 of \$72m, compared to a net loss of \$74m in the same period in 2017. Sales were \$976m in the quarter, an increase of \$118m from the year-ago period.

The company recorded operating income of \$121m in the quarter, compared to \$48m in the first quarter of 2018, reflecting higher prices realised across almost all of its product offerings, a reduction in energy costs, largely seasonal, favourable fibre usage, and higher shipments following distribution constraints in the first quarter.

The operating results also benefited from the effect of the weaker Canadian dollar.

The company said this compensated for the 20% increase in market-based stumpage fees and a rise in recovered paper prices.

The tissue segment incurred an operating loss of \$10m, compared to \$1m in the first quarter, largely attributable to the first time inclusion of Calhoun's results in the second quarter. When compared to the previous quarter, Calhoun's operating results improved by \$3m, mainly due to an increase in shipments.

If Calhoun's first quarter sales, included in the tissue segment, overall tissue sales would have risen by 5%, as product mix shifted favourably towards more converted product volume. EBITDA for the segment was negative \$5m.

Yves Laflamme, president and chief executive, said: "Overall positive price momentum and improved operational performance led to record profitability this quarter."

"Our strong financial results allowed repayment of \$105m of debt during the quarter, significantly improving our balance sheet and leverage."

The company's operating income improved by \$169m, compared to the second quarter of 2017.

Laflamme added: "Our view on pulp markets remain optimistic through the third quarter, as supply and demand dynamics are expected to be strong in most markets."

"Despite extensive pulp downtime related to the major capital project in Saint-Félicien, which will increase pulp production in the long term, we expect our pulp performance to remain solid."

"We believe the underlying market fundamentals for lumber will support

healthy operating results in the medium term, in spite of a recent pull back in lumber prices."

"For tissue, we have made progress in increasing sales and market penetration. Our operations are now focused on supporting our strengthening market position."

## CANADA

### Cascades Packaging boosts capacity with PM rebuild

Cascades Packaging has invested in a dryer section rebuild of its PM1 at its Kingsey Falls mill, Canada.

Supplied by Toscotec, the line is expected to achieve an 8% increase in production.

According to the supplier, it will achieve the upgrade without increasing the overall length of the dryer section and without increasing the actual width of the dryers' frame in cross direction.

The scope of supply includes a number of TTSteelDryers, specifically designed for an operating steam pressure of 14 barg, as well as wire tensioning system, guiding and sheet stabilising components.

Delivery is expected to have occurred by the end of August 2018.

Established in 1964, Cascades produces, converts and markets packaging and tissue products that are composed mainly of recycled fibres.



**Production increase:** Cascades Packaging's PM1 dryer section rebuild will take place at its Kingsey Falls mill



**South American investment:** Celupaper has grown significantly in response to tissue potential in the local market

## ARGENTINA

### Celupaper boosts capacity in South America with TM start-up

Celupaper has started-up its new MODULO-PLUS tissue machine at its Papelera Nicaragua mill.

Supplied by Tosoctec, the line produces 65tpd and features a single layer TT Headbox, TT SuctionPressRoll, TT SYD-3200MM and TT Milltech-MYH monosystem gas-fired hoods.

The scope of supply also includes the approach flow system, the electrification and control system, training, erection supervision, commissioning and start-up assistance.

Mario Speranza, chief executive of Celupaper, said that due to continued investments and production increases, the company has "grown significantly" in the South American market.

He said: "Since 2015, we boosted production by over 100tpd. Tissue quality, machine efficiency and energy reduction are our key standards of investments in new equipment."

PM4 is part of a series of repeated orders awarded to Tosoctec by the South American tissue producer. In 2015, Tosoctec carried out the rebuilding of PM2, an existing Fourdrinier machine, and supplied a new steel Yankee dryer TT SYD-2500MM and the complete steam and condensate system.

In 2016, it supplied PM3, a complete MODULO tissue line.

## TURKEY

### Lila Group boosts capacity by 70,000tpy with TM investment

Turkey's Lila Group has invested in an Advantage DCT 200 tissue line to be installed at its Corlu site.

Supplied by Valmet, TM3 will add 70,000tpy of tissue capacity to the site and will be sold into the domestic and export market.

Delivery will comprise of a complete Advantage DCT 200 tissue production line with stock preparation equipment and the Advantage tissue technology.

The scope will also include an extensive automation package with DCS, QCS and Softness sensor.

In addition to the new line, Lila Group also ordered a rebuild of its TM1 and TM2 to Advantage ViscoNip press configuration.

Orhan Ogucu, chairman of Lila Group, said it was important the line meet the company's targets for efficient

**Turkey's Lila Group has invested in an Advantage DCT 200 tissue line to be installed at its Corlu site. Supplied by Valmet, TM3 will add 70,000tpy of tissue capacity to the site and will be sold into the domestic and export market.**



## Lila Group's factory in Corlu is said to become the biggest tissue manufacturing facility under a single roof in Turkey, the Middle East and North Africa.

production, low energy consumption and high tissue quality.

Valmet has previously delivered two Advantage DCT 200 tissue lines to the same mill. TM1 started up in 2007 and TM2 in 2012.

Lila Group is a leading Turkish industrial enterprise group headquartered in Istanbul, Turkey.

It operates in four different sectors in tissue paper, FMCG, energy and textile.

The supplier said the factory in Corlu is set to become the biggest tissue manufacturing facility under a single roof in Turkey, the Middle East and North Africa.

## INDONESIA

### APP boosts capacity at OKI mill with TM start-ups

Asia Pulp & Paper (APP) has increased its production capacity after starting-up two Ahead-2.0L Prodergy tissue machines at its OKI mill.

Supplied by Toscotec, the lines are 22ft second-generation Steel Yankee dryers with widths of 5.6m and operating speeds of 2,000m/min.

The site is fully integrated with a pulp mill that is estimated to produce 2.8m tpy.

Toscotec said the line is "equipped with the most advanced environmental technology presently available".

It said: "OKI's production base is very much green-oriented. The mill will be powered by clean and self-sufficient energy generated from the pulp production process and wood bark gasification.

Tissue production guarantees the highest standards in terms of tissue machine's efficiency and energy consumption reduction, thanks to Prodergy's technological advantages."

## MEXICO

### Blue Tissue boosts production capacity

Blue Tissue is to invest in a complete turnkey tissue plant.

Supplied by A.Celli Paper, the new

generation LPG Gas Hood and 16-foot Steel Yankee cylinder will have a width of 2.7m and a working speed of 2,000m/min.

Blue Tissue specialises in the production of high-absorption, soft, and high-quality tissue product for the hygienic, healthcare and AfH tissue markets. Start-up is scheduled for the end of the first quarter of 2019.

## CHINA

### Baoding Yusen boosts capacity with twin TM investment

Baoding Yusen Health Supplies Co. has invested in two Intelli-Tissue EcoEc 1600 Premium tissue machines.

Supplied by PMP, the lines will have a width of 3.5m, an operating speed of 1,600m/min, and a daily capacity of 75tpd.

The two machines will be based in the left-hand and right-hand in the same building.

As a result, the supplier said both space and costs are saved as well as the number of staff required to run the installations.

The scope of supply will include: the single layer Intelli-Jet V hydraulic Headbox, 4-roll Intelli-Former Crescent Former, Intelli-Press, a 16ft Steel Intelli-YD, Intelli-Hood and Intelli-Reel.

Both machines will start-up by the end of 2019.

Baoding Yusen Health manufactures domestic paper. It is located in the Mancheng Daceyng Papermaking Industrial Zone in Baoding.

### C&S increases product offering with TM investment

Tissue producer C&S Paper Co. has invested in another Intelli-Tissue EcoEc 1600 TM.

It is the fourth line to be delivered to the company by supplier PMP.

The first TM was started-up in November 2017 at the company's Tangshan mill; TM3 and TM4 were started up in Yunfu in January 2018 and February 2018.

At the beginning of 2018, PMP said it was awarded with a repeat order to supply another line to the company.

C&S Paper Co. was established in 1979 and has recently entered the Chinese stock exchange market.

It has six production sites in Jiangmen and Yunfu of Guangdong, Chengdu of Sichuan, Jiaying of Zhejiang, Xiaogan of Hubei and Tangshan of Hebei.

In addition to selling locally, the company is also selling its products in Southeast Asia, the Middle East, Australia and Africa.

It has a yearly total production of more than 200,000 tonnes.

## BRAZIL

### CMPC resumes operations following transportation strike

Chilean pulp and tissue giant CMPC has confirmed it has resumed operations at its Guaíba-based site. The plant had previously been impacted by a transportation strike in Brazil.

It said it has now normalised the supply of the main inputs for its tissue and pulp operations, with its production lines at Guaíba, its tissue products' mills and distribution of products to customers now returning to normal.

For its pulp operations, CMPC confirmed that as a result of the stoppage it will have a lower production of 20,000 tonnes.

**Chilean pulp and tissue giant CMPC has confirmed it has resumed operations at its Guaíba-based site. The plant had previously been impacted by a transportation strike in Brazil. It said it has now normalised the supply of the main inputs for its tissue and pulp operations, with its production lines at Guaíba, its tissue products' mills and distribution of products to customers now returning to normal.**

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**Save your dates for the 2019 event now!**

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## FRANCE

### Papcel closes ABK Groupe

Papcel Group has announced the closure of its French company ABK Groupe. In a statement, David Dostal, general manager of Papcel Group, said the move follows a successful few years during which the company undertook a series of acquisitions.

It acquired ABK Groupe in 2014, and in 2016 and 2017 acquired GapCon Tissue (now Iconē) and PMT, both located in Italy.

He said these two acquisitions reinforced the company's manufacturing programme in the area of packaging papers, special types of papers and tissue for Papcel Group.

The inclusion of the two new companies and their market sectors increased the company's design and production capacities, which he said has now surpassed ABK Groupe's portfolio.

He said: "With the chance to offer the more sophisticated technology of PMT in the same production segment, a decision has been reached by management to terminate all operation of ABK Groupe.

"By the closing of ABK Groupe the group will reduce the total level of operating costs by €3m per year."

## AMERICA

### Essity announces job cuts at Ohio tissue site; emphasises plan for long-term competitiveness

Tissue giant Essity has announced the loss of 55 jobs at its Middletown, Ohio-based operations.

The site, which was a part of the company's 2016 acquisition of Wausau Paper Corp, has around 200 staff and produces and converts towel and tissue rolls.

Amy Bellcourt, vice president, communications, said: "Our aim is to support operational efficiency and

the long-term competitiveness of our Middletown, Ohio-based site.

"Essity cares about its employees and is making every effort to find the best possible solution to minimise the impact on employees."

Essity, formerly SCA Hygiene, increased its presence in the American AfH market when it acquired Wausau for \$513m in 2016.

### Irving boosts capacity with TM start-up

Irving Pulp & Paper and sister company Irving Tissue have started up a Valmet-supplied Yankee Dryer as part of a \$40m investment.

The line has been running at the company's New Brunswick-based site since completion of the project on 14 May.

The company said its site is already "95% green", and the investment will improve its energy use further and reduce the site's carbon footprint.

## RUSSIA

### Arkhbum Tissue Group invests to increase capacity

Arkhbum Tissue Group has invested in a PrimeLine™ W6-XT tissue machine.

Supplied by Andritz, the line will be installed at its mill in Vorsino and produce high-quality facial, toilet, napkin, and kitchen towel grades made of 100% virgin pulp.

Start-up is scheduled for the third quarter of 2019.

The machine has a design speed of 2,100mpm and a paper width of 5.6m.

According to the supplier, the 16ft Steel Yankee and PrimePress XT shoe press technology enables "a high drying capacity and achieves remarkable cost savings and operational flexibility compared to systems operated with conventional presses and cast Yankee dryers".

Irina Galakhova, executive director, Arkhbum Tissue Group, said: "Our new

tissue machine is equipped with a new PrimePress XT shoe press, which provides high productivity and product quality, together with an ANDRITZ Papillon refiner and ShortFlow system.

"These technical and technological characteristics will significantly reduce the consumption of water and steam in the production process and also minimise costs in general."

## UK

### Accrol Group offers plastic-free tissue packaging in UK first

Accrol Group has become the first UK-based tissue converter to offer a plastic-free option on all its toilet roll, kitchen roll and facial tissue products.

The company said the products are commercially viable as well as being environmentally-beneficial, and are now being offering to its major discounters and grocery retailer customers.

Gareth Jenkins, chief executive of Accrol, said the move has been driven by high profile campaigns highlighting the environmental impact of plastic waste, such as Sky Ocean Rescue, Ocean Recovery Alliance and Clean Seas.

He said: "We were determined to offer our customers and, ultimately, shoppers a viable paper wrap alternative.

"This packaging is now available to all our customers. We are determined to lead the tissue industry in the UK and will achieve this by listening closely to our customers and reacting rapidly to their changing needs.

"I hope that our commitment to offering plastic-free tissue products and reducing the impact of the industry on the environment will encourage others in our sector to follow suit."

He added that each year 400m tonnes of plastic is produced of which 40% is single-use.

More than eight million tonnes of plastic enter the world's seas each year, with most of that coming from land.

Accrol Group Holdings is based in Lancashire, UK, and supplies toilet rolls, kitchen rolls and facial tissues, as well as other tissue products, to major discounters and grocery retailers.

**Accrol Group has become the first UK-based tissue converter to offer a plastic-free option on all its toilet roll, kitchen roll and facial tissue products. The company said the products are commercially viable as well as being environmentally-beneficial, and are now being offering to its major discounters and grocery retailer customers.**

## ITALY

### It's Tissue reports successful event with over 2,000 visitors

It's Tissue's has successfully presented its third 'Made in Italy' technology event. The Italian Technology Experience was held in Lucca between June 25-29 and the 12 network members behind the event reported a positive response to their innovations for the entire tissue value chain - production, converting, packaging and handling. Some 2,000 visitors from 85 countries attended the event – a record number. Executive Vice President Marco Dell'Osso said: "We welcomed all the most important tissue enterprises from around the world, and many clients came for the first time. "It's Tissue has proved a very important positive signal for the Italian companies behind this event – consolidating their leadership in mature markets while also opening up new frontiers in emerging markets." During each day of the week-long event,

tissue experts from around the world had the opportunity to see first-hand innovations from across the entire chain of production.

They toured 14 open houses – 10 in Lucca, one in Viano-Reggio Emilia, two in Bologna and one in Lecco – to see machines in operation.

Presentations and demonstrations revealed the progress of the digital revolution in support of the Smart Factory related to Industry 4.0.

The event was created by A.Celli, Elettric80, Fabio Perini, Futura, Gambini, MTC, Omet, PCMC, Pulsar, Recard, TMC and Toscotec.

The next It's Tissue is scheduled for 2021.

## CHILE

### CMPC appoints Francisco Ruiz-Tagle Edwards as CEO; announces resignation of Hernán Rodríguez Wilson

CMPC has appointed Francisco Ruiz-Tagle Edwards as its new chief executive

following the resignation of Hernán Rodríguez Wilson.

Ruiz-Tagle Edwards is the current chief executive of the company's pulp subsidiary.

Both his appointment and the resignation of Rodríguez Wilson will be effective as of 1 August.

Rodríguez Wilson joined the company in 1987 and has been part of the development and investment process that led CMPC to have industrial operations in eight countries in Latin America, over 17,000 staff and positions in the pulp, wood, packaging and tissue markets.

He was also responsible for leading the development, construction and start-up processes of the Guaíba II pulp mill in Brazil, the expansion of the tissue business and the implementation of a renewed sustainability policy.

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# Impressive growth potential with tissue consumption at less than half the west European average

**T**urkey is an emerging market country with the 17th largest economy in the world (\$2.133 Trillion GDP). GDP growth has been strong, averaging 6% CAGR until recently, with concerns over the current account balances and depreciating value of the Turkish lira versus the dollar. This has tempered investor confidence at a time when the economy is dependent on external investment. Turkey relies on market pulp imports for tissue production that are subject to cost escalation from currency exchange rates.

Turkey's 2017 population was estimated at 80,845,215, ranking 18th in the world. Population growth has slowed significantly to 0.52% CAGR but tissue consumption per person is estimated to be less than half the average rate in Western Europe resulting in good opportunity for advancement of the domestic tissue industry in spite of slow population growth. From a domestic viewpoint, Turkey is not a unique case in development of its tissue business.

Tissue making represents slightly less than 22% of Turkey's total paper production. Figure 1 shows the map of Turkey's tissue

mills. There are 13 companies engaged in tissue manufacturing at 17 mills. Most of the sites are in the western half of the country near ports for export.

Turkey has added capacity at a CAGR (cumulative average growth rate) of about 11% from 2008 to 2018. Figure 2 shows this trend and indicates that about half of Turkey's tissue capacity was added in the past 10 years. This has contributed to improving Turkey's competitive position and long-term viability within the European region and with its trading partners.

The strong competitive position and viability is shown graphically in the bubble chart in Figure 3. The recent capacity additions have resulted in the strong group of large capacity bubbles clustered near the chart origin showing



low viability risk and low technical age.

Turkey is dependent on market pulp imports for tissue production. Figure 4 shows that consumer tissue is the overwhelming grade produced for local consumption or export. There is little recycled fibre used in this grade.

**Turkey's 2017 population was estimated at 80,845,215, ranking 18th in the world. Population growth has slowed significantly to 0.52% CAGR but tissue consumption per person is estimated to be less than half the average rate in Western Europe resulting in good opportunity for advancement of the domestic tissue industry in spite of slow population growth.**



Figure 1: Turkey's tissue mills

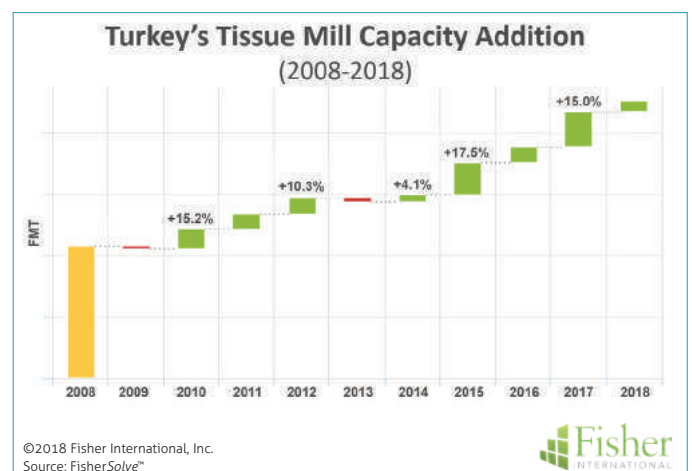


Figure 2: Turkey's tissue mill capacity addition

Commercial tissue does use a significant percentage of recycled fibre, but the overall volume is small. Turkey has a strong tissue business that is well positioned for the future. The heavy reliance on imported market pulp is the major risk that exposes the business to trade and currency risks instead of technical issues.

However, the domestic environment does not tell the whole story. Turkey's geography and history offer unique advantages to tissue business development. Turkey straddles Southeastern Europe and Southwestern Asia and borders The Black Sea, The Aegean Sea, and The Mediterranean Sea. As a result, Turkey has been a historic link or bridge in trade between regions and cultures. This linkage has influenced the expansion of Turkey's tissue business and is expected to play a major role in its future development.

Figure 5 shows the central position of Turkey to serve as a trade hub for Europe and Asia. The relative tissue production of European countries is represented by the colour intensity and shows Italy leading Europe in tissue production followed by Germany and Turkey.

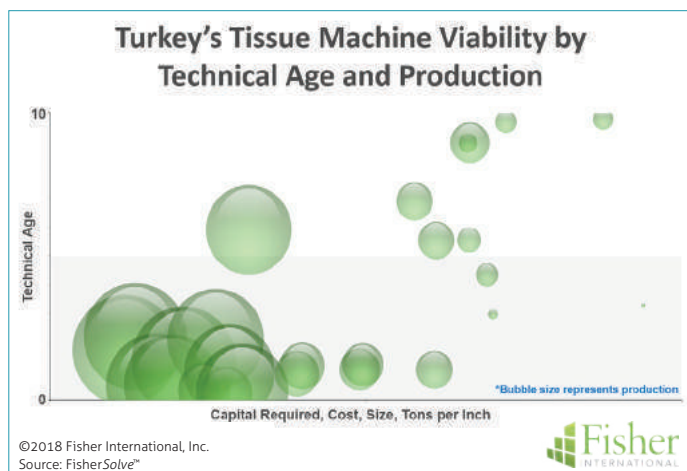


Figure 3: Turkey's tissue machine viability by technical age and production

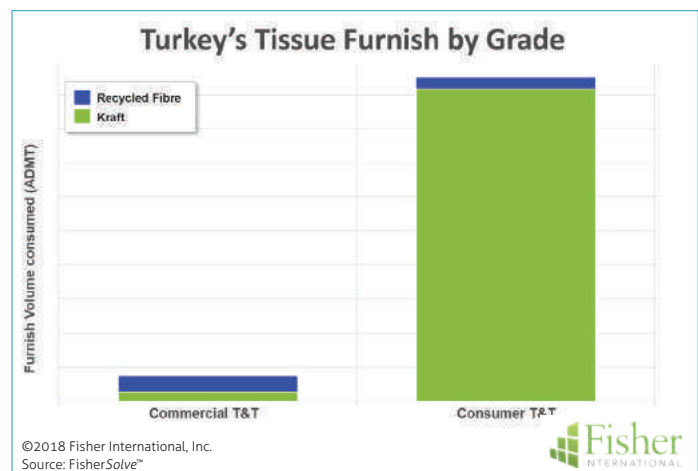


Figure 4: Turkey's tissue furnish by grade

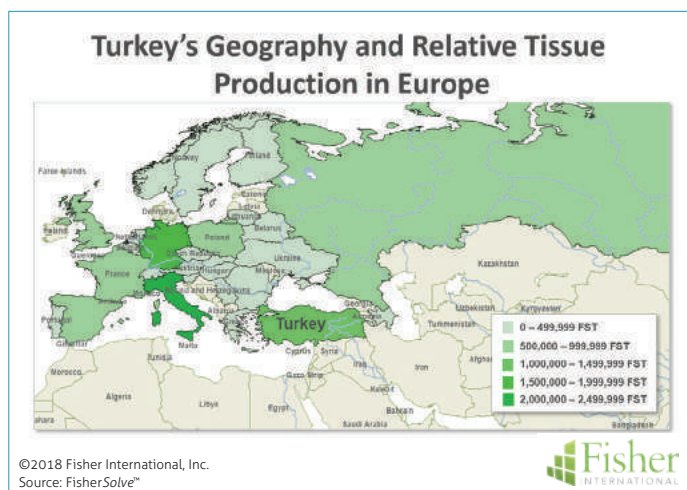


Figure 5: Turkey's geography and relative tissue production in Europe

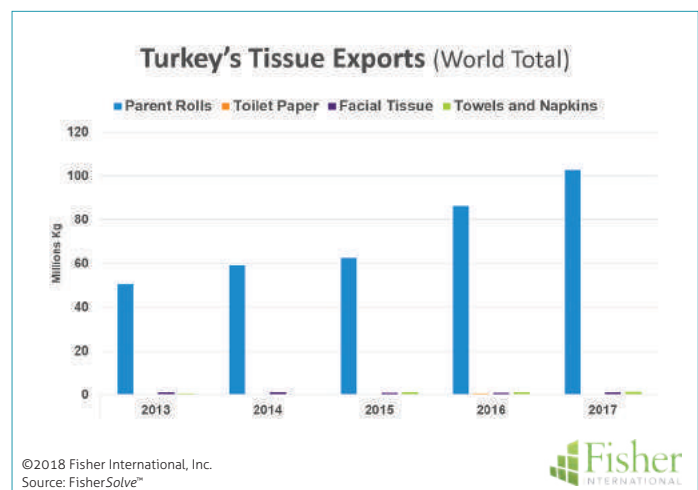


Figure 6: Turkey tissue exports

**Commercial tissue does use a significant percentage of recycled fibre, but the overall volume is small. Turkey has a strong tissue business that is well positioned for the future. The heavy reliance on imported market pulp is the major risk that exposes the business to trade and currency risks instead of technical issues.**

Comtrade data for Turkey's tissue trade in kilograms are shown in Figures 6 (Exports) and 7 (Imports). Two key facts are directly visible.

1. Exports of finished products from Turkey are negligible compared to parent rolls
2. Exports of tissue products are about 1,000 times greater than imports.

Figure 8 shows that Turkey exports 30% of its production (almost all parent rolls). The top five importers of Turkish tissue



rolls are the United Kingdom, Greece, Israel, Iraq, and Bulgaria. The United Kingdom is the largest importer at 10% of Turkey's total production.

Figure 9 shows that the United Kingdom is much less dependent on Turkey for tissue supply than Greece or Israel. This suggests that Turkey may have more risk in this relationship than the United Kingdom.

Figure 10 shows the key trade flow on the map and the Turkish mills positions. Turkey has made maximum advantage from its geographic position to expand its tissue business. This sets the ground for consideration of future scenarios for Turkey's tissue business. Being 30% dependent on exports and slow domestic growth, the competitive position of the export business could be a concern. Fisher International's FisherSolve™ provides advanced tools to evaluate production strengths and weaknesses.

Figure 11 is an analysis of Turkey's tissue business cost position comparing average costs by country for raw materials, chemicals, energy, labour, materials, and overhead. This shows that Turkey ranks in the middle of the pack in its region.

Figure 12 provides better future viability than current costs by using the FisherSolve Viability Index. This is a sophisticated tool for understanding the current and future economic health of companies, mills, and production lines. In addition to looking at current costs, this index considers the probability of survival over the long run. This includes the size, technical age and capital required for an asset to remain competitive. In this case, we see that Turkey's tissue business is considered a moderate risk, but lower risk than most of Europe.

In addition to looking at Turkey's position within Europe, the viability index can also be used to directly compare the top tissue export customers. Figure 13 shows the country wide average tissue business viability of Turkey compared to the United Kingdom, Israel, and Greece. In this case, a strong Turkish lira was assumed at about +45% strength versus the U.S. dollar. Under this assumption, Turkey's viability index improves to low indicating a relatively stronger position as a leader in Europe and with its trading partners.

Figure 14 provides the converse case of a weakened Turkish currency by about 45%. Here we see that Turkey's viability index moves to the moderate risk ranking and Israel improves its viability versus the United Kingdom.

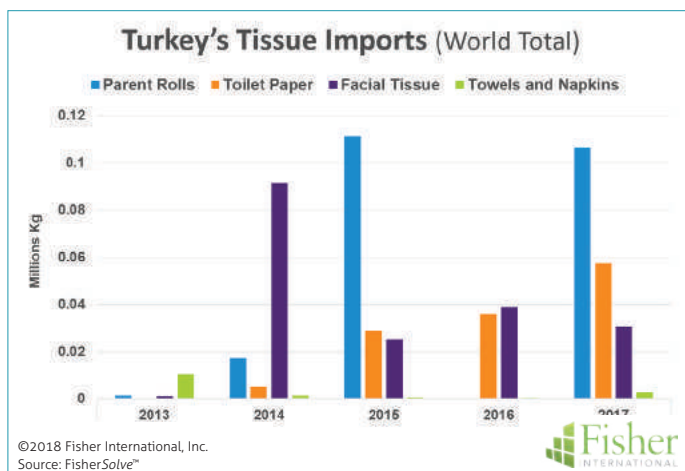


Figure 7: Turkey's tissue imports

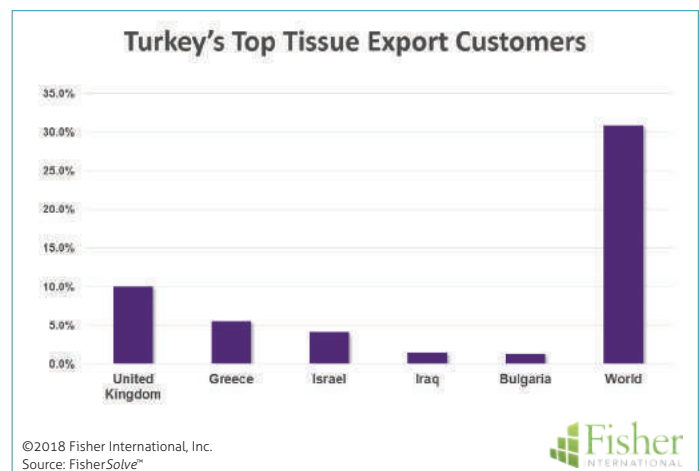


Figure 8: Turkey's top tissue export customers

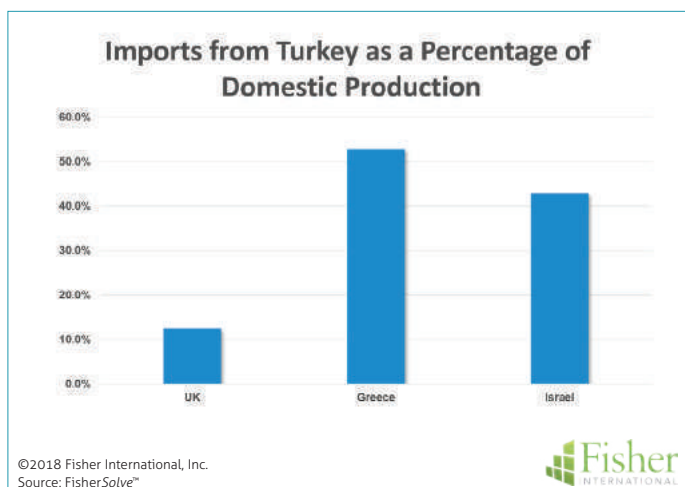
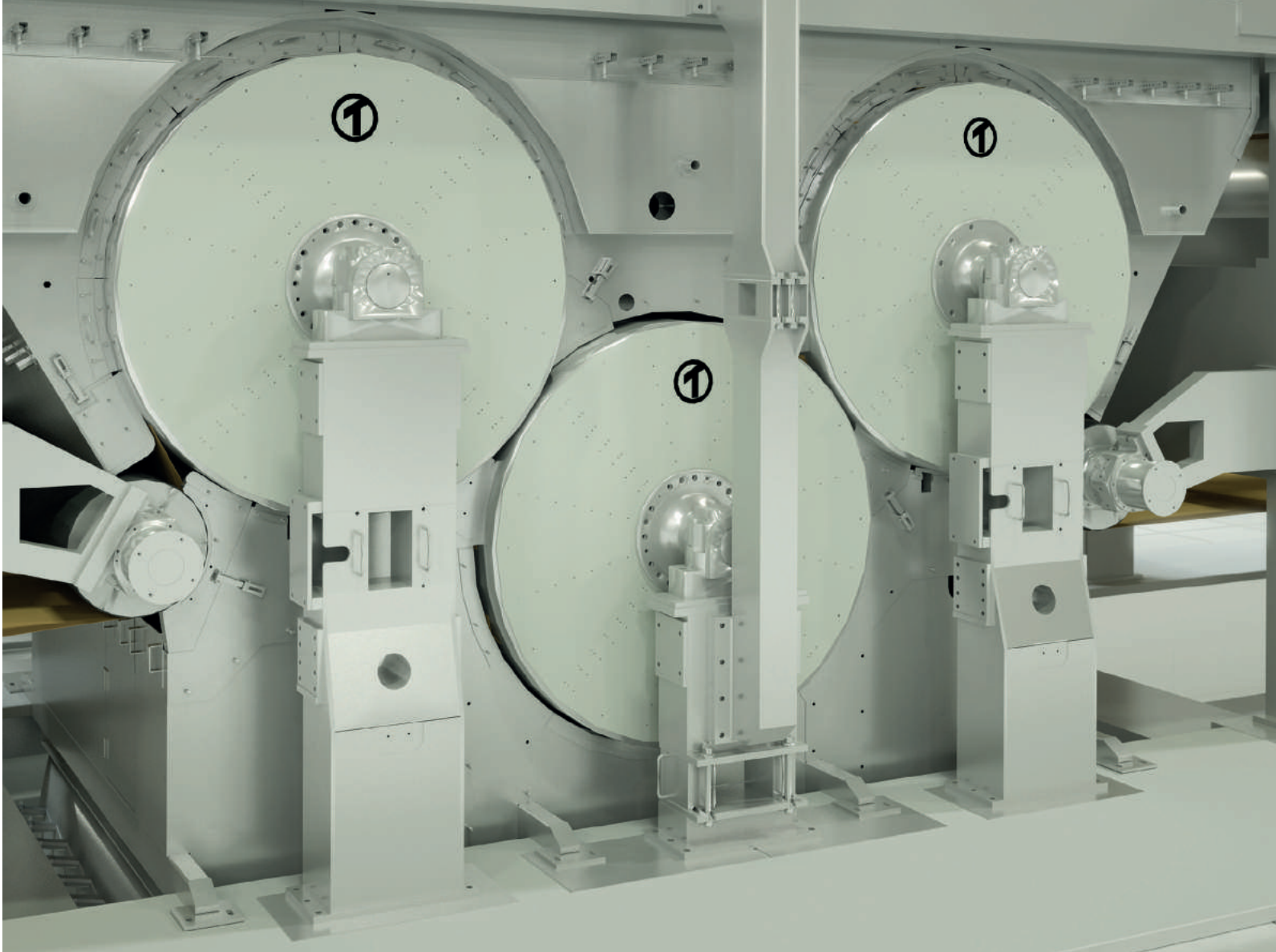


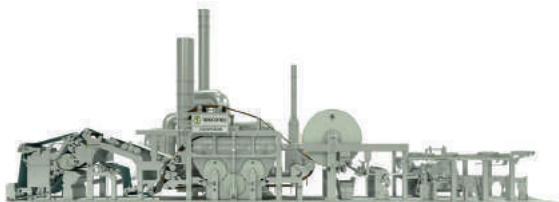
Figure 9: Imports from Turkey as a percentage of domestic productions



Figure 10: Turkey's tissue trade flow



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TADVISION®, Toscotec's enhanced TAD technology features:

- A UNIQUE COMPACT TAD DRY SECTION WITH EFFICIENT STRAIGHT FLOW
- AN IMPROVED DESIGN FOR HIGH PERFORMANCE TAD DRUMS
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TADVISION® for your premium products:  
Up to 5.60 m trim width and 240 t/d.

YOUR NEEDS, OUR SOLUTIONS.



These scenarios illustrate the power of FisherSolve™ to explore future trends. There are several issues that could affect Turkey's tissue business:

1. Global trade is under pressure and any additional trade barriers would hurt the parent roll export business. If Turkey were to consume the exported tonnes, what machines would be most at risk for shutdown? A cost and viability ranking of individual mills and machines would provide the data needed to anticipate that scenario.
2. Turkey's currency is forecasted to weaken. As Turkey mostly depends on imported market pulp, this would have a negative effect considering that pulp prices are already increasing. How will this impact individual mills?
3. The United Kingdom business represents 10% of Turkey's total tissue production. What will be the impact of Brexit on this business for Turkey? Will trade barriers increase or possibly decrease as both countries are outside the European Union? Will Brexit have a positive impact on the United Kingdom's domestic tissue business?

4. Is another supplier in a position to displace Turkey in supplying the United Kingdom? Which supplier could threaten to take over Turkey's position with the United Kingdom?

The probable effects of these potential scenarios on specific countries and companies can be modelled by using FisherSolve™ tools at a more detailed level by individual mill and production line.

#### About Fisher International, Inc.

Fisher International supports the pulp and paper industry with business intelligence and strategy consulting. Fisher International's rich databases, powerful analytics, and expert consultants are indispensable resources to the industry's producers, suppliers, investors, and buyers worldwide. FisherSolve™ is the pulp and paper industry's premier business intelligence resource. Complete and accurate, FisherSolve is unique in describing the assets and operations of every mill in the world (making 50 TPD or more), modeling the mass-energy balance of each, analysing their production costs, predicting their economic viability, and providing a wealth of information necessary for strategic planning and implementation. FisherSolve is a product of Fisher International, Inc. For more information visit: [www.fisheri.com](http://www.fisheri.com) or email [info@fisheri.com](mailto:info@fisheri.com) USA: +1-203-854-5390

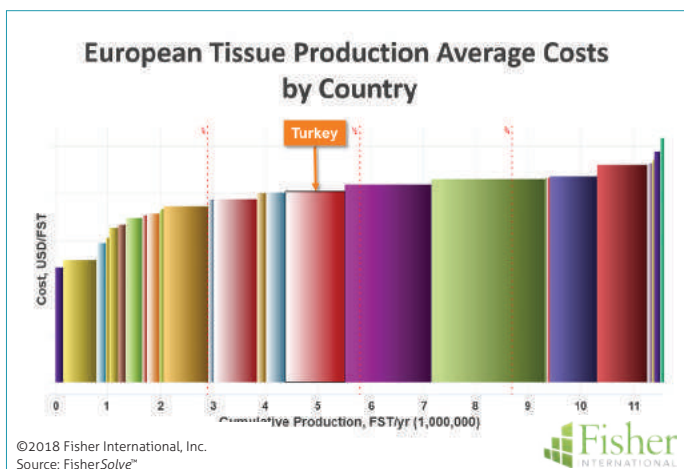


Figure 11: European tissue production average costs by country

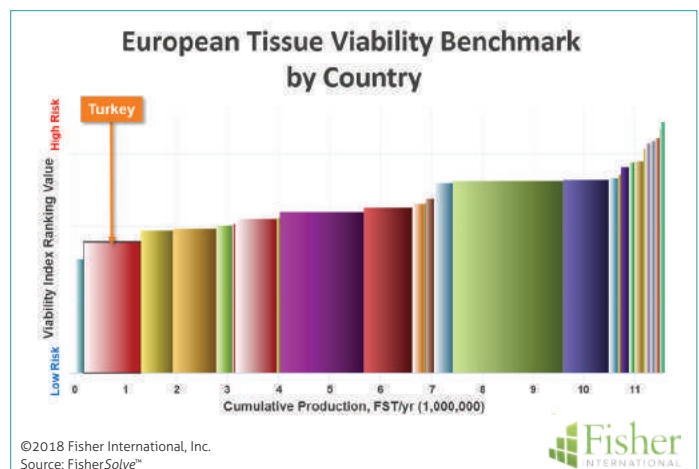


Figure 12: European tissue viability benchmark by country

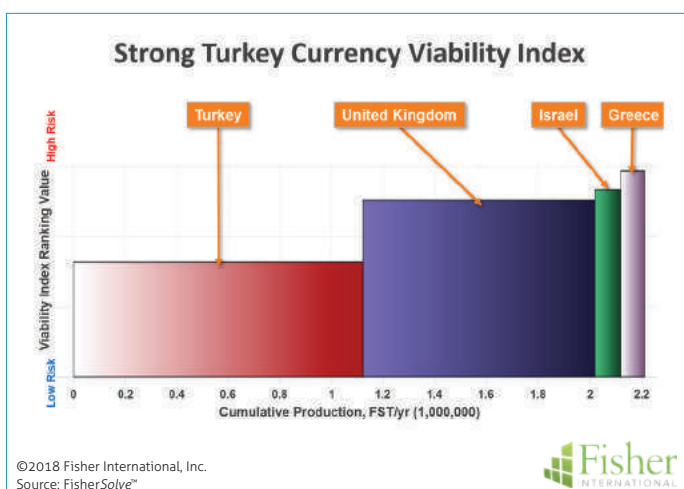


Figure 13: Strong Turkey currency viability index

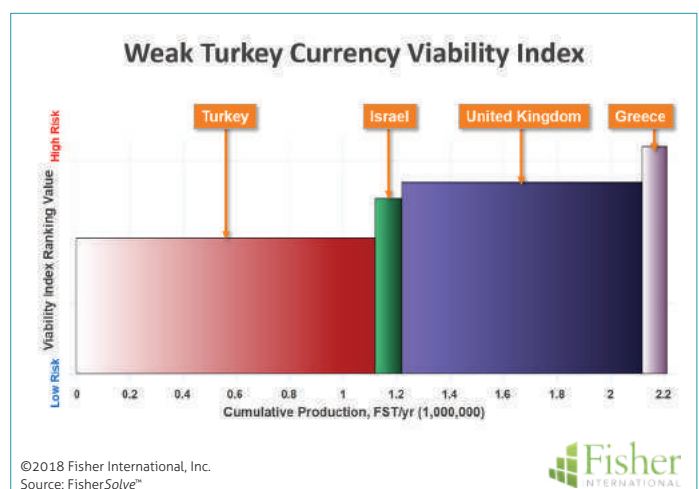


Figure 14: Weak Turkey currency viability index

# Turkey: economy, urbanisation and expansion of modern grocery retail drives growth in tissue

## Steady growth of Turkey's economy

Turkey has demonstrated an outstanding economic growth performance over the last 15 years. GDP has tripled, and the number of foreign enterprises has increased more than fivefold, largely thanks to harmonising its laws and regulations with EU standards.

In 2017, although the Turkish lira markedly depreciated against the euro and the US dollar, the economy continued to demonstrate healthy growth and real GDP grew dynamically at 7.1%. Growth was very much underpinned by the government's fiscal stimulus strategy, such as activating temporary tax exemption policies on durable goods and VAT exemptions in real estate purchases. Given the fact that growth was driven by increasing expenditure stimulated by this loose fiscal policy, a slowdown in economic growth is expected in Turkey in 2018.

## Retail tissue consumption increases in per capita terms

In line with the country's economic growth, retail tissue has also registered sharp growth over the last ten years, with per capita retail consumption reaching 4.5kg in 2017, compared to 2.7kg in 2007. In addition to Turkey's positive economic performance, there are two important factors behind this drastic increase in per capita retail consumption: rapid urbanisation over the last decade and the swift and widespread expansion of modern grocery retailers.

Following the country's dynamic economic transformation, a significant proportion of workers left the agricultural sector for jobs in manufacturing, driving population growth in urban areas and accelerating urban expansion. Meanwhile, stemming from rising growth in expenditure, new players entered grocery retailing, particularly



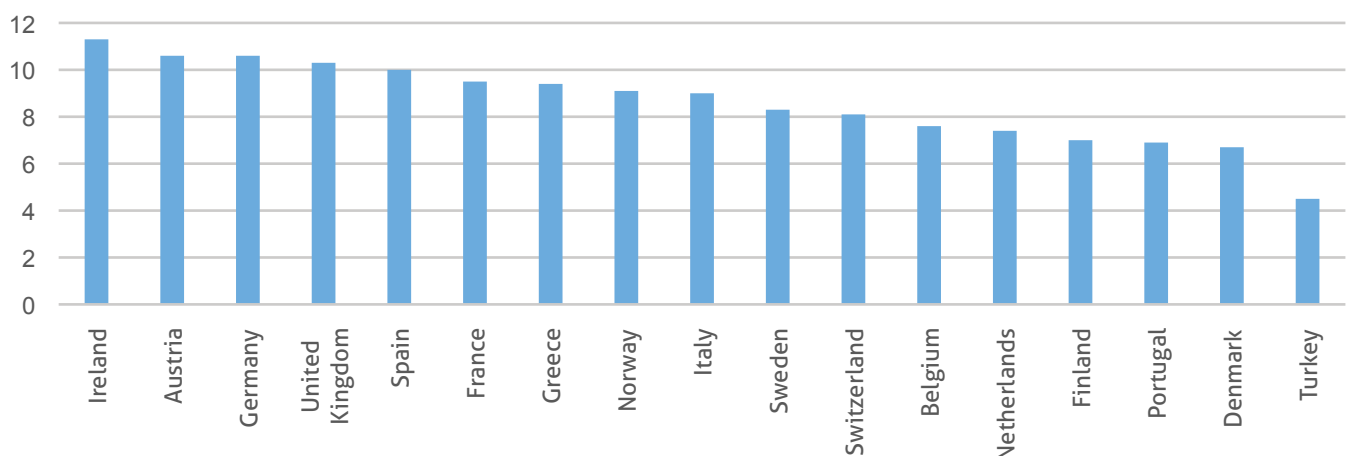
Caglar Altunel

Research analyst,  
Euromonitor International

discounters, becoming widespread in the poorer neighbourhoods of the country, where previously it was difficult to regularly access fast-moving consumer goods. As these developments brought about significant growth in the number of people now having easier access to a variety of household products, including tissue, retail tissue has registered major volume gains.

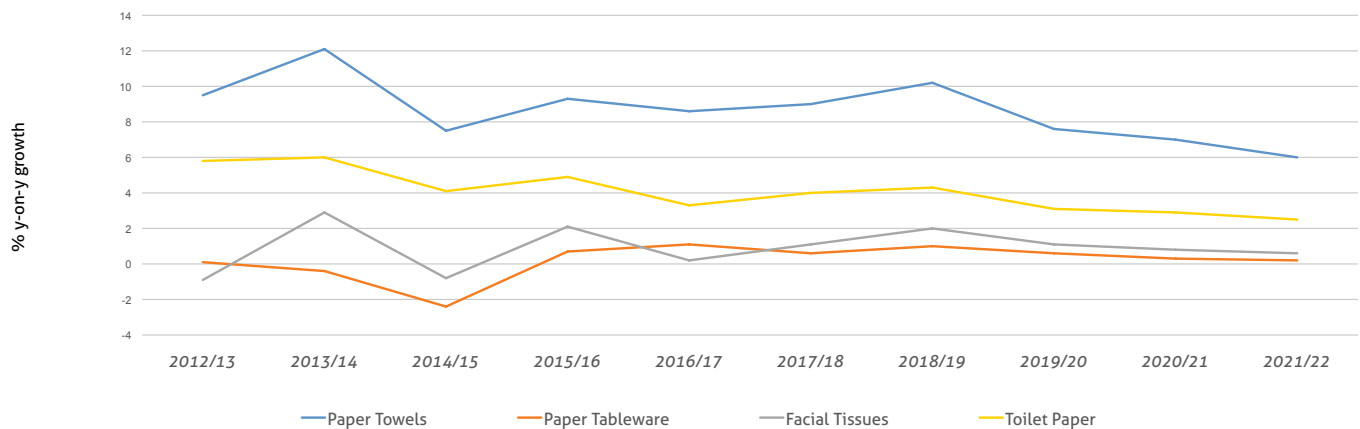
**In 2017, although the Turkish lira markedly depreciated against the euro and the US dollar, the economy continued to demonstrate healthy growth and real GDP grew dynamically at 7.1%.**

Retail sales, consumer tissue, kg per capita, 2017





## Retail sales, % y-on-y growth, volume '000 tonnes, 2012-2022



### Toilet paper is the most common type of consumer tissue in Turkey

Toilet paper is the primary tissue type, constituting around 66% of overall volume sales of retail tissue in Turkey. In fact, toilet paper has had high availability in groceries in Turkey for decades. This is largely owing to the successful campaigns run by the highly-recognised, long-established companies in the past, raising awareness in order to overcome the strength of traditional beliefs and increase the use of toilet paper across the country.

When it comes to purchasing habits, absorbency shines out as the key factor affecting consumers' decisions given the fact that the majority of toilet paper users in Turkey use water as well during cleansing. Which is why, in contrast with the trends that we observe in Western European countries, recycled toilet paper has a very limited base of sales, constituting just 2.7% of the entire retail volume sales of tissue in 2017.

### Sales of paper towels make a significant contribution to overall growth in retail tissue

While toilet paper continues to be the dominant tissue type, paper towels is the most dynamic category in terms of both volume and value growth in Turkey, mainly because of the convenience and practicality it provides. Along with rapid urbanisation, the participation rate of

women in the workforce has also increased drastically over the past decade. This has brought about a sharp rise in the need for both hygienic and practical solutions in household chores. Paper towels has filled a part of this gap in Turkey, as consumers tend to use the product for multiple purposes, from drying the face and hands in the bathroom to wiping surfaces in the kitchen, and even to absorbing excess oil from fried food. Consequently, paper towels has experienced marked growth in retail volume terms; per capita consumption more than doubled to reached 0.9kg in 2017, up from 0.4kg in 2007.

### Positive outlook ahead but pricing pressures likely to increase

Rising incomes in Turkey and dynamism in its young and open-minded population, thanks to urbanisation, provide a good platform for further growth in demand for consumer tissue. The country still possesses significant potential for further growth in terms of per capita retail tissue consumption over the next five years. With ongoing modernisation in the retailing landscape also making a

significant contribution to growth in retail tissue, it is predicted that per capita retail tissue consumption is set to reach 5.2kg by the end of 2022. Although retail tissue in Turkey has been growing at a fast pace, Euromonitor International estimates that there is still a significant gap between the country's actual per capita consumption and its full potential. Turkey's unmet consumer tissue potential in retail stands at over 400,000 tonnes, or close to double the current consumption levels in per capita terms, thereby leaving room for further industry expansion.

Given slower but still positive expected economic growth and the expansion of modern grocers and discounter outlets, it is predicted that price competition among tissue brands will continue to be fierce. These tendencies will bring to the fore an emphasis on price promotions and cost-friendly options, reflected also in production, product development and marketing communication strategies over the next five years.

**Rising incomes in Turkey and dynamism in its young and open-minded population, thanks to urbanisation, provide a good platform for further growth in demand for consumer tissue. The country still possesses significant potential for further growth in terms of per capita retail tissue consumption over the next five years.**



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# "Turkey is becoming the tissue capital of the Middle East and Europe"

*TWM interviews Parteks Paper Industry general manager Fatih Çapar*

## TWM/1 : What tissue markets do you operate in?

Fatih Çapar: "Established in 1996, Parteks Paper Industry is a fully integrated manufacturer of virgin pulp parent reels, consumer tissue and AfH tissue together with corrugated cardboard and paper board production. Our plant is located in Kayseri, the Central Anatolian Region. Our plant covers an area of 150.000 square metres. Parteks has a high-tech machine park. We have two tissue mills which manufacture 45,000 tonnes of tissue per year. Our converting facility is close by the plant and we convert 12,000 tonnes per year. Sofa, Purpy and Senta are well-known tissue brands produced by Parteks. We also have one board paper mill and two corrugated cardboard lines. We manufacture 50,000 tonnes of corrugated cardboard per year."

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Helen Morris

Senior Editor,  
Tissue World magazine

## TWM/2 : How are the tissue sectors developing in Turkey?

Çapar: "At Parteks, we are equally concentrated on consumer, private label and AfH products. Although the consumption per capita is still very low, there is a great potential for the future. For instance, the consumption per capita is around 5,9 kgs, but the average growth rate of the market is around 7,9% in the last three years. This is the result of fast economic development. According to The World Bank, Turkish GDP per capita has raised from USD\$3,660 to USD\$10,714 between 2002-2017, so there is a long way to go for Turkish tissue manufacturers. As the



**Full integration:** the Kayseri-based plant houses two tissue machines that manufacture 45,000tpy, and the site's converting facility is nearby and converts 12,000tpy



**Fatih Çapar:** Parteks's general manager said recent investments have focused on adding-value to the company's brand name products

GDP per capita raises, Turkish people are beginning to spend more time outside the home. As a result, AfH and private label products are getting more share in the total consumption."

### **TWM/3:** You started up a Toscotec line in 2014, what was the reason for this investment?

Çapar: "We focus on adding-value to our brand name and products. Additionally, Toscotec is one of the market leaders for tissue machines. Besides, they are a family company with high levels of professionalism, performance and ethics. Consequently, we decided to cooperate with them. We are quite satisfied with this cooperation. Our Toscotec line produces 100% pure pulp high quality facial, toilet, napkin and towel grades."

### **TWM/4:** What are your growth plans for the near future?

Çapar: "Parteks has a huge investment process in the last four years. We have an investment plan in a new tissue mill and AfH converting lines. We are also conducting a feasibility analysis in order to invest in a new tissue mill in Western Europe."

### **TWM/5:** How is the Turkish economy impacting the local tissue market?

Çapar: "The Turkish economy is one of the fastest growing economies in the world and the Turkish tissue industry is not an exception. Turkey is the second main exporter of tissue in Europe. As a result of its geographical location, Turkey is becoming the tissue capital of the Middle East and Europe."

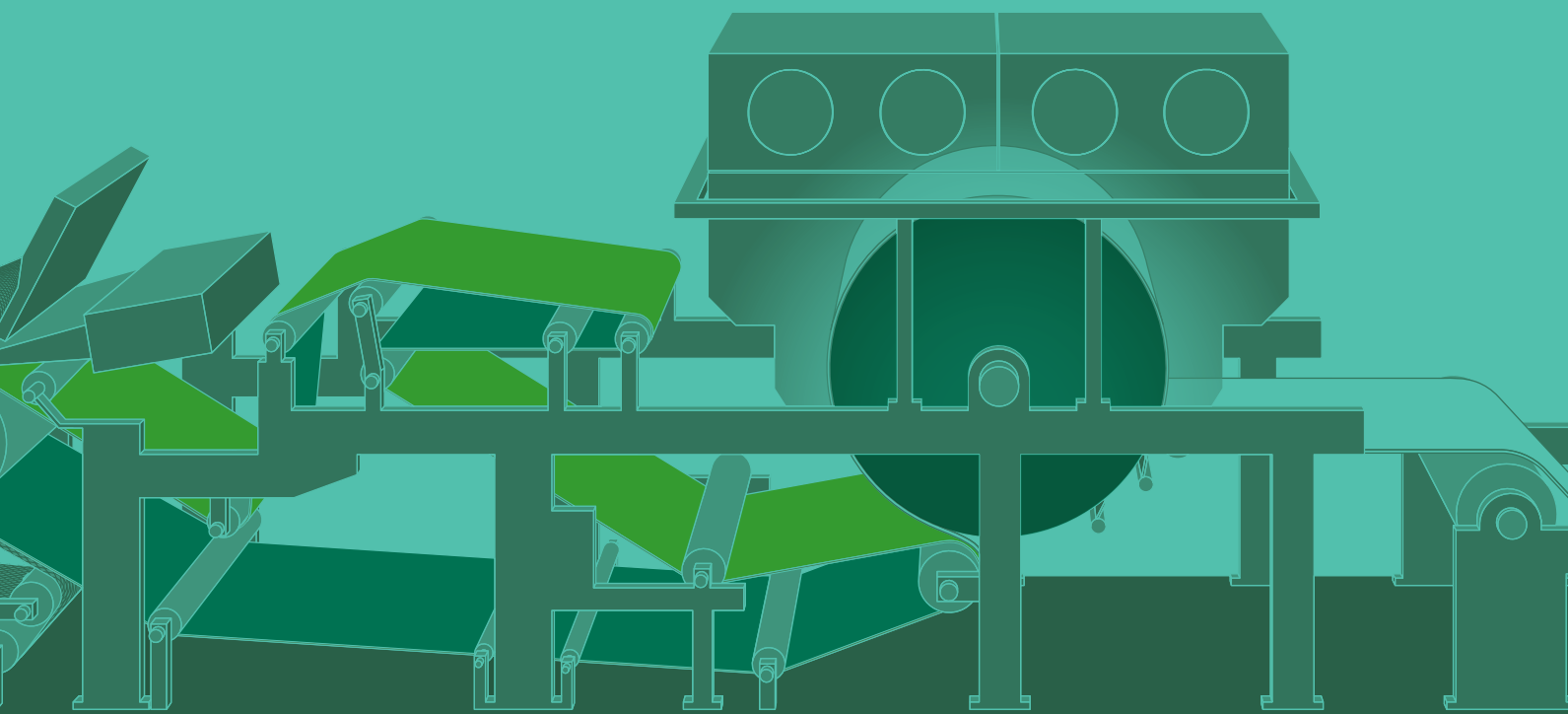
### **TWM/6:** Do you export and what are your future export plans?

Çapar: "We deliver paper all around the world. Our main export markets are the Middle East, Western and Eastern Europe and Africa. We export tissue parent reels, tissue converted products and corrugated cardboards like pizza boxes. We are doing feasibility studies to export to new regions."

**"We focus on adding-value to our brand name and products. Additionally, Toscotec is one of the market leaders for tissue machines. Besides, they are a family company with high levels of professionalism, performance and ethics. Consequently, we decided to cooperate with them."**



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"We have an investment plan in a new tissue mill and AfH converting lines. We are also conducting a feasibility analysis in order to invest in a new tissue mill in Western Europe,"  
Fatih Çapar

**"We are an environmentally-friendly company. We are focused on reduced energy consumptions, recovery and re-usage of the process water, low emissions (noise and pollutants) as well as on green energy adoption with the application of a Steel Yankee dryer technology. All of our products are FSC-certificated."**

### **TWM/7: Do you produce many environmentally-friendly products? Is there much demand for that in Turkey?**

Çapar: "We are an environmentally-friendly company. We are focused on reduced energy consumptions, recovery and re-usage of the process water, low emissions (noise and pollutants) as well as on green energy adoption with the application of a Steel Yankee dryer technology. All of our products are FSC-certificated."

"On the other hand, we recycle 50,000 tonnes of waste paper in our board production. We have partnerships with local universities and schools."

"There is an increasing awareness of environmental issues in Turkey and the demand for these types of products is raising day by day."

### **TWM/8: What are the key opportunities for you in the Turkish market?**

Çapar: "We are located in Kayseri, which is in the middle of Turkey and very near to middle eastern boards and international ports. Consequently, we have a wide range of customers, to whom we need to supply wide range of products."

"Our wide range of products keeps our customers one step ahead of the competitors."

"Our main goal is to supply optimum quality products with competitive prices. As a family company, we acknowledge the values of quality, customer care, flexibility, and tradition."

### **TWM/9: And the key challenges?**

Çapar: "Of course there are many challenges in Turkey, as it is in the rest of the world. The main problem is the unstable raw material prices, which occur roughly once every ten years. On the other hand, there has been some devaluation of Turkish lira for a couple of months. It forces Turkish tissue manufacturers to rearrange payment terms and prices. But there is a Turkish proverb that says "there is no rose without a thorn". We love paper so we need to compete with challenges when we need to."



# Co-generation – Hayat Kimya takes a big leap into the future

***The largest tissue manufacturer for the Middle East, Eastern Europe and Africa sets up a blueprint for controlling long-term energy costs at its Mersin site in southern Turkey as future expansion plans may include Asia. Report by Helen Morris, Senior Editor, Tissue World magazine.***

**D**riving through Istanbul on a hot July day, the city is in full bloom. Tourists and locals rush to get prime position on slow boats that take them across the shimmering Bosphorus and underneath the many magnificent bridges linking the city's east and west cultures. Fishermen line the shores catching the evening's dinner, women rush around discussing the latest business deals on their mobiles, and the city's many mosques stand proud in what has to be one of the most beautiful cities ever to be the backdrop of a James Bond movie.

Restaurants, cafes and the lanes of the city's markets are thriving; at the Grand Bazaar, over 4,000 stalls are packed full of jewellery, spices, scarves, nargile (the Turkish water pipe) ... showing off the country's impressive influences in the ancient network of trade routes and cultural interaction of the Silk Road.

Visiting Istanbul offers a modern and cosmopolitan city where the shared histories and identities of East and West are equally thriving. Yet we only need look back as recently as 2016 to get a clearer picture of the country's complexities: a failed coup resulted in high tensions ... a drop in economic performance, high inflation, the decreasing value of the lira ... ongoing political upheaval.

When TWM first visited Turkey's tissue mills seven years ago, the potential for the country's tissue growth was amongst the most impressive globally. There was more demand for tissue products than supply due to a growing population and rapid urbanisation. Back then, TWM also met Lütfi Aydin, global tissue production director, Hayat Kimya, at the company's impressive Istanbul-based tissue plant, where we meet again seven years later along with his colleagues, project manager Kemal Arslan, group manager Hayrettin Kutluok, and converting production and technology improvement group manager Şahin Civelek.

On this meeting, Hayat Kimya is a very different company, with 14 sites in various locations: it has expanded in its home market with a second site based in Mersin, southern Turkey, boosting its local tissue production capacity in the country to 140,000tpy; in February 2018, a \$150m sales and marketing subsidiary in Pakistan was launched, which included the introduction of tissue brands Papia and Familia into the market;



Helen Morris

Senior Editor,  
Tissue World magazine

it increased the capacity of its Yelabuga, Tatarstan-based tissue mill in Russia in 2017; and in March 2017, it increased its presence in Egypt. It also now has sites in Iran, Bulgaria, Algeria, Morocco, and Nigeria.

It is a global player in the FMCG industry, the world's fifth largest branded baby diapers manufacturer, and the largest paper tissue manufacturer of the Middle East, Eastern Europe and Africa. Aydin says: "If we consider Turkey to be in the Middle East, we're the number one player. In Iran and Egypt, we're also the number one player. But if Turkey is in Europe... there we claim the sixth spot. Globally, we're fifteenth in terms of size."

The company's Mersin site is its most modern and gives it good geographical access to supply products across the whole country. It was the second start-up for the same team in three months, as Hayat Kimya's PM4 at the new Alabuga mill in Tatarstan was started up in December 2014. "Our aim was to install the newest and most efficient machinery," Aydin says.

Exporting is also a strong opportunity and Aydin says they will continue to export into country's such as the UK and Africa: "The mills here in Turkey are doing very well and generally have very modern machines, and as a result there is overcapacity. Consumption is increasing, it's currently 845,000 tonnes, but there is a lot of excess capacity. Exporting is key for us and we're also exploring possibilities and new countries to expand our manufacturing presence into. We're looking at new sites in markets such as the UK, Eastern Europe and also possibly in Asia."

Innovation and paying close attention to market trends remain key strategies for the business. At the Istanbul-based site, the company has invested in a very modern R&D facility that influences all of its sites, and the business is continuously looking to add improvements to its products. It also has several production lines with suppliers including Fabio Perini, Omet



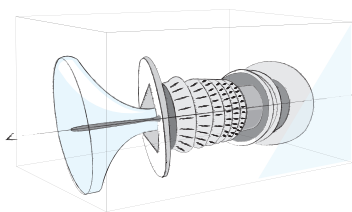


**"In the next few years, we will look at our existing machines to invest and improve them. But because of overcapacity here in the Turkish market, we will look abroad first. Innovation will also continue to be the heart of our business."**

Lütfi Aydın, global tissue production director,  
Hayat Kimya



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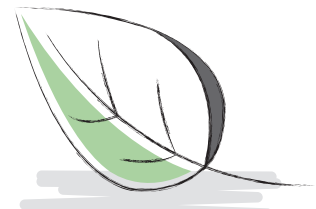
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**"Continued R&D, innovations and a modern outlook. Tissue here is still growing very well, there's still 8% growth year-on-year and a 6% increase in population. We're also seeing the eastern part of Turkey starting to use these products more and more, it's becoming habit there also, so more potential for us as tissue use is penetrating the smaller regions."**

Lütfi Aydin

and MTC that are dedicated to creating a range of innovative products for the market.

Culturally, the company says recycled tissue products aren't popular: "Turkish people see white tissue products as clean tissue products, so they're not especially interested in recycled products and so they're not really available here," Aydin adds. "Hayat Kimya uses 100% pure cellulose and no artificial whitening chemicals in tissue production. This alone differentiates our products from global brands."

Pulp prices continue to be a key challenge: "Most of our costs come from pulp, so our production costs are very high at the moment. This is without doubt the biggest problem for the world's tissue mills. Exchange rates are also an issue – they're increasing for us as the lira has dropped a lot," he adds. There's no way to offset the rising costs, but Aydin's aim is for the company to continue to modernise and invest: "Take our Mersin site, we have a co-generation plant there that has given us lots of advantages, and this is key for our long-term competitiveness. It has made us much more energy efficient,

our energy production capacity is now much higher than our needs, we're supplying the extra to the surrounding areas."

With the success at Mersin, the company has also invested in the same co-generation project at its Russian plant: "We're generating our own electricity and improving our runnability, so there's no stoppages. The gas from it is also cheaper as we're using natural gas and getting all of our energy needs from one supplier. It means there are lots of benefits to the costs side and means we can be continuously forward thinking. We wonder why the other mills aren't doing it!"

And the future opportunities? "Continued R&D, innovations and a modern outlook. Tissue here is still growing very well, there's still 8% growth year-on-year and a 6% increase in population. While the economy is slowing it a little, we're also seeing the eastern part of Turkey starting to use these products more and more, it's becoming habit there also, so more potential for us as tissue use is penetrating the smaller regions."

"In the next few years, we will look at our existing machines to invest and improve them. But because of overcapacity here in the Turkish market, we will look abroad first. But innovation will continue to be the heart of our business. We adopt top technologies quickly, leading the industry with "first ever" products such as the Familia detergent paper towel we introduced in Turkey, or the B-side technology first in Papia offering double sided softness in the region, or the glamorous tissue box hankerchief in Iran. Adopting top technologies and applying at our infrastructure across all our subsidiaries also helps us to increase efficiency in our organisation, which supports our competitive edge in the markets we operate. Hayat will continue to seize opportunities to grow with investments in all-categories in our subsidiaries, and strengthen our position in the region as the leading FMCG company."



**Key opportunities:** R&D, innovations and a modern outlook remain the company's main market strategy



***"We consider competition as a factor that grows the market, increases quality, triggers category and product development, and we try to benefit from it in all circumstances."***

*Asli Bicer, marketing director at Eczacıbaşı Consumer Products, talks to TWM.*

## TWM/1 : What tissue markets do you operate in?

Asli Bicer: "Eczacıbaşı Consumer Products has been at the forefront of Turkey's tissue paper market since its establishment in 1969 as İpek Kağıt Tissue Paper. Today, we dominate Turkey's bathroom and facial tissue, napkin, handkerchief, and paper towel categories with the five most popular brands: Selpak, Solo, Silen and Servis for retail customers and Selpak Professional for AfH use. Selpak offers the highest quality, premium priced products whilst Solo is positioned as the value-for-money brand. Silen and Servis offer products at affordable prices.

"As the first brand in Turkey's tissue paper market Selpak was largely responsible for generating consumer awareness of the benefits of toilet tissue when it introduced this product in Turkey more than 45 years ago. This pioneering role has given it a unique expertise which it has dedicated to setting new standards in each segment of the tissue paper market.

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Helen Morris

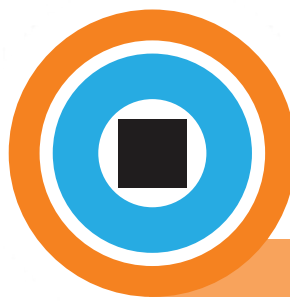
Senior Editor,  
Tissue World magazine

"In the AfH category our vision is to be the number one supplier of high-quality, industrial hygiene and cleaning solutions in Turkey with our two main AfH brands: Selpak Professional for tissue paper products and Maratem for cleaning chemicals.

"All products are produced at our state-of-the-art plants in Yalova and Manisa, where we have a combined tissue paper capacity of 180,000tpy. We also have a plant in Astana, Kazakhstan, which underpins Selpak's growing presence in Central Asia and the Caucasus. "Looking ahead, we aim to further strengthen our position in these regions through the introduction of our AfH tissue paper brand, Selpak Professional,



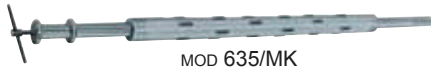
**Marketing director Asli Bicer:** "As the first brand in Turkey's tissue paper market Selpak was largely responsible for generating consumer awareness of the benefits of toilet paper when it introduced this product in Turkey more than 45 years ago."



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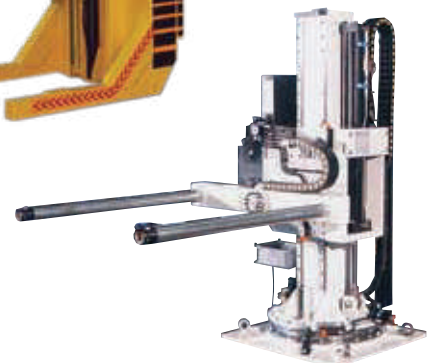


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By Tissue World Senior Editor **Helen Morris**

which responds to the needs of institutional customers in diverse quality and price segments."

## **TWM/2: What trends are you seeing in these markets?**

Bicer: "The total retail tissue paper market reached two billion Turkish Lira in 2017 with a growth of around 18% (year-end 2017 Nielsen, value; TL) in Turkey. We are the market leader in the tissue paper market, in Turkey (year-end 2017 Nielsen, Value; TL).

"The toilet paper category constitutes 50% of retail tissue paper market while the share of paper towel category is 30% with the highest growth rate, 21%. The paper napkin category – with the third largest share of market (15%) – has the lowest growth rate among the other categories.

"Paper towel's contribution is significant to the market growth mainly due to the expansion of its usage area. It is not limited to the kitchen – there is an increasing trend of usage in bathroom for various purposes such as drying the face and hands, wiping surfaces and mirrors.

"Growth figures in the categories are also in line with household penetration measured by IPSOS. According to the year-end data, while the penetration of toilet paper has been almost stable for the last three years with around 83%, the penetration of the paper towel has increased to 70% from 75% in the same period.

"Volume growth in Turkey is mainly driven by urbanisation and population growth. Tissue and hygiene demonstrated dynamic volume growth due to the rise in the population, and the fact that it became easier to access fast-moving consumer goods in the country in general, following the rapid spread of retailers' small format shops and particularly discount stores.

"The rapid expansion of discounters has led to a significant change in the retail tissue market, with the value share of private label experiencing rapid growth reaching nearly 40% of the market in 2017. Private label is growing rapidly because these products are affordable alternative for new users and especially for discounters' shoppers."

## **TWM/3: Have you made any new machinery investments, and if so, why and what are they?**

Bicer: "In 2016, two new plants in Turkey and Kazakhstan started production that would advance the company's goal of being a regional powerhouse. The cumulative value of the investments was over TL 300m.

"In Manisa, we started up a new paper machine that has increased its overall tissue paper production capacity by 65% from 110,000 to 180,000 tonnes. In Kazakhstan, we moved our issue paper operation from Almaty to a newly constructed facility in Astana.

"A new converting plant in Astana will support our entry into Russia as well as enable further expansion into Central Asia. The advanced technology incorporated in this facility, which covers an area of 50,000 square metres, has both doubled the capacity in Kazakhstan and reduced operating costs.

"As we extend to new markets, in line with our vision of being a powerful regional player with the leading brands in both the premium and standard segments of the personal hygiene market, we look forward to cooperating closely with our business partners and creating new partnerships in each market to achieve our shared goals. We aim to accelerate our international expansion through investments in our brands, strong distribution partnerships in strategic markets, and the development of innovative products."

## **TWM/4: How will you continue to grow your market share?**

Bicer: "In this competitive environment, the first of our two most important objectives is to maintain our leadership in Turkey, while the second is to grow faster in international markets.

"Partnerships in strategic markets, new technology and capacity investments that can respond to changing consumer needs, and believing in the power of intensive marketing support we give to our brands will help us realise our growth plans. We consider competition as a factor that grows the market, increases quality, triggers category and product development, and we try to benefit from it in all circumstances."

## **TWM/5: How is the Turkish economy impacting the local tissue market?**

Bicer: "The current historically high pulp prices challenged tissue producers in 2017 and 2018. Since pulp needs to be imported and no locally manufactured market pulp is available on the Turkish marketplace, high pulp prices (in US dollars) significantly impact the costs due to the fact that the value of Turkish lira has dropped around 12% (2018 first half versus 2017 first half) this year against the US dollar.

"Pulp prices have been experiencing a 39% (2018 first half versus 2017 first half) increase in US Dollar, where some adverse effects, namely the stagnation of a number of traditional export markets, as well as the fluctuation of foreign exchange rates result in a remarkable challenge to generate the same profit.

"Due to the recent fluctuations in the Turkish economy (the Consumer Price Index increased 13% and producers price index increased to 19% on average), affordability remains an issue for many consumers. As many consumers classify paper products as a commodity product, they seek for more affordable products in the market.

"Expansion of modern retail and improving product quality help to win over consumers, especially in the markets where economic and financial uncertainties persist, forcing consumers to re-evaluate their spending."

By Tissue World Senior Editor Helen Morris



**Value-added benefits:** "crucial" in tissue innovation to drive category value growth

## TWM/6: What potential is there for you to export?

Bicer: "In recent years we have increased our focus on international markets; today, our products are sold in more than 80 countries on five continents. Selpak has been the leader in many countries as a result of consistent and continuous marketing investment made since the mid-2000s and it takes the first place in different categories in Cyprus, Kazakhstan, Azerbaijan, Georgia, Iraq, Ukraine and Mongolia.

"We have been active in the Caucasus since 2005, when we launched our Selpak brand in the region. Today, Selpak is the best-known brand in Azerbaijan and Georgia and the most preferred brand in the premium segment of the Georgian market. Our export operation continues in more than 80 countries covering a wide geographical area from Panama to Mongolia. In the following years, new geographies will be our source of business. We focus on new target markets, mainly in the Caucasus and Central Asia, as well as in the Balkans, Eastern Europe, Middle East and North Africa. We aim to be one of the top three players in a short time in the new target markets with the media support we give to our superior quality and innovative products. We will continue to focus on our 2018 communications investments on Azerbaijan, Georgia, Mongolia, Iraq, UAE, Ukraine, Morocco, Macedonia, Lebanon and Cyprus."

## TWM/7: Do you produce many environmentally-friendly products?

"We have moved forward on our sustainability agenda, keenly aware that the progress we make in this area will determine our long-term competitiveness.

"The household paper market is indeed getting greener in the world. Certificates such as FSC are getting more and more important every day. Selpak supports sustainable forestry management policies. We procure 100% of our cellulose from certified suppliers who can prove that their wood pulp derives from sustainably managed forests. We use 100% FSC-certified pulp in our Selpak branded products."

## TWM/8: What are the three main opportunities for you in the Turkish tissue market?

Bicer: "The first is multifunctional and value-added tissue. As incomes rise, consumers are developing sophisticated tastes and are continually seeking a higher quality of life. Household tissue paper brands need to consider new secondary benefits that will please consumers. Value-added benefits are crucial in tissue innovation to drive category value growth. The industry has seen a wide range of value-added benefits from ingredients to product, to design and quality, too functional benefits. Products that address the need for convenience and provide savings in time and effort hold a strong competitive advantage for the time-strapped consumers of today. In order for tissue consumers to consider paying a premium price, added-value features must provide a meaningful benefit. New products that are proven to save time, clean better and improve skin outcomes will garner consumer attention.

"Consumers expect multifunctional products to achieve more with less. Manufacturers need to persuade consumers of the benefits of using paper towel to clean their kitchens, as well as absorbing oil from cooking. There is more potential for paper products that are not only skin-friendly but have added skin benefits. In highly competitive market, where purchase decisions are usually based on price, tissue manufacturers use packaging innovations to increase the attractiveness of the product and help it stand out on crowded shelves. Although this is a functional category, there is room for products to be more decorative to overcome a boring image. Products launched with special designs are popular but brands can look for more opportunities to create decorated or coloured "limited editions" to add a touch of style to the kitchen and the bathroom.

"Second, is evolving e-commerce trends; online retail has gained further share of sales in consumer tissue. While price is one of the key motivators for the consumer shift, online retail also presents opportunities for convenience of reordering household staples. The number of regular broadband internet users increased rapidly in Turkey in recent years, thanks to heavy infrastructure investments by internet providers and the introduction of mobile broadband. Along with the spread of internet and increasing reliance on digital payment methods, the proportion of consumers opting to do their daily shopping through internet retailers has rapidly increased.

"Ongoing modernisation is being seen in the retail landscape, with an increasing number of outlets in supermarkets and discounters and the spread of internet retailing. This will continue to have a positive impact on volume sales in tissue and hygiene and on annual per capita consumption in the coming years, as it plays a key role in the gradual rise in the number of the first-time buyers of FMCG, including tissue and hygiene products.

"Shipping tissue products is still not particularly cost-efficient. However, e-commerce sites that have been seeking to offer convenience of re-ordering for staples, as well as options such as click & collect, help raise the proportion of online sales.

"Consumers increasingly expect easier and more convenient access to products, especially household staples purchased on a



regular basis. As a result, e-commerce has been gaining share of sales in consumer tissue, although current share of tissue online sales falls far behind online sales in disposable hygiene products. The majority of consumers still shop in regular stores, which remain important to showcase brands and draw consumers.

"Lastly, sustainability is a key opportunity. Consumers are redefining what "healthy" and "better for me" mean, increasingly demanding to be offered alternatives that are natural, green, organic and free-from products.

"Rising environmental awareness will benefit brands that offer eco-friendly products and have strong sustainability credentials. Over the coming years, concerns over environmental protection will increasingly place the sustainability practices of manufacturers under the spotlight and drive the growth of sustainable tissue products. This will be taken up by all levels of society, from governments to manufacturers, and even retailers. The increased pressure from consumers, governments and retailers will push manufacturers to attain third-party accreditation and maintain responsible forest management practices. Consumers will be more inclined to pay more to organisations that align with their personal values and causes.

"Although still relatively small in absolute value compared to "standard" offerings, green products have been gaining share of sales, supported by consumer demand as well as the industry search for alternative pulp. Sustainability, with emphasis on the benefits to the environment as well as costs and solutions to pulp shortages, are among the key factors supporting products positioned as eco-friendly. These products are present across consumer tissue categories, with the latest innovations in the use of sustainable materials making inroads into the market. A significant number of consumers still believe that recycled fibre reduces paper quality, and so this isn't always a viable path to sustainability for brands. Brands can drive the consumer opinion change of recycled paper through sampling. Sustainable sourcing that avoid traditional sources of fibres for paper products (namely trees) will continue to appeal to consumers looking to act on green ideals. Consumers do not always have the time or money to be ethical. They often expect brands to do it for them."

## TWM/9: And the three key challenges?

Bicer: "Private label is the key challenge. The Turkish tissue paper market is a highly competitive and challenging market as we are in competition with many different brands as well as private labels. Private label is growing rapidly because these products are an economic alternative especially for discounters' shoppers. While premium-quality tissue meets the demand among some mid-and high-income consumers, private label continues to gain share in many markets, including developing regions, as its availability and quality improves and manufacturers and retailers invest in expanding production capacities. Growth of discounters also creates a platform for further private label expansion.

"While rising incomes and the desire for high-quality products benefits the ultra-premium segment, brands are making a

conscious effort to serve the needs of all consumers by launching value for money products that do not compromise on quality.

"Value-added innovation is second: innovation is the key for brand differentiation, especially the categories such as tissue. Understanding consumer segmentation and respective needs in each market is crucial to defining brand strategies and expectations. While many consumers seek bargains when it comes to the tissue paper category, innovation that offers tangible benefits to households can open doors to more value-added spending on the part of consumers, and subsequently to revenue growth.

"However, the industry has not been known for a fast-paced innovation agenda. In the future, for many companies, getting efficient innovation practices and the organisation up to speed will be an important challenge. Bigger brands are struggling to find growth as new technologies enable disruptive challengers to enter the arena and expand the competitive frame. Manufacturers are targeting the expanding middle-to high-income segment through high-quality, value-added products with a luxurious feel and other added features. Rising incomes and the desire to trade up to premium goods, as well as the evolving needs and habits of consumers in Turkey, are driving demand for tissue products which are thicker, softer and stronger. Despite the fact that many consumers are willing to spend more for quality when it comes to paper products, margins remain an issue for manufacturers while for consumers, price remains an important factor when choosing paper products. Manufacturers therefore need a provable value proposition to convince consumers to spend more. Brand owners are using innovative approaches to solidify their premium positioning and stand out in an overcrowded marketplace.

"And lastly, pressure for profit / minimising costs: driven by cost inflation (thanks to continuously increasing pulp prices and devaluation of the Turkish Lira), the market has set higher expectations to maximise profitable growth. The last six months have been unusual to say the least for the global pulp market, with numerous price increases in a relatively short period of time – something no one had foreseen at the beginning of last year – neither buyers, nor sellers, nor analysts.

"At times of tight profit margins and significant competitive pressures, innovation in the premium segment is on the industry agenda to support brand equity and differentiation from the competition, to safeguard margins (especially when coupled with cost efficiencies), and build long-term growth strategies. Companies have to figure out how to push their own price increases through in a better way. On the downside, however, premium products reach a smaller consumer base, and still come under price pressure from retailers. The price competition with private label eats into manufacturers' profit margins. Hence, minimising operational costs has shown to be crucial for survival in an increasingly competitive market.

"Manufacturers should focus on cost saving programmes such as energy, supply chain management and logistics and production process efficiency. Investments in new machines have been made to help increase production efficiency while reducing costs."



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# Lights, camera, clean-up...

How the paper towel helps in wiping down cameras to patting down the shine on the foreheads of talent on set

**J**ohnny Domingo lives in Miami, Florida, and is the chief executive of Blue Bunny Productions, a creative media company with backgrounds in broadcast, independent film and fashion photography.

Specialising in corporate broadcast video and photography, his role at the company ranges from creative, to director and cinematographer. Here, he tells TWM his take on hybrid products, patterns, colour and paper towels for men.

When it comes to paper products what matters the most to myself for my household and business is quality and cost.

It's not necessarily a question of sacrificing one for the other. I do see a big advantage in always purchasing paper products in bulk. Doing this I've found it possible to get both quality and great value when purchasing Kirkland signature brand paper towels and bathroom tissue. This we get at bulk from our price club store Costco here in Florida.

Whether at home or taken along for production jobs we are very fortunate to find that these paper towels do a great job in all varied uses.

From simple clean-up in kitchen or household cleaning in all rooms of our home. As for on set, in production there uses are limitless.

From wiping down cameras to patting

down the shine on the foreheads of talent on the set. Sure we could expand and purchase actual softer tissue but this would be against my nature our mentality of always having multi-use items at our fingertips. Be it the tools we use or our paper towels.

What I would like to see would be a hybrid paper towel that combines the toughness of shop paper towels yet still would have the characteristics, softness and moisture absorbing aspects of home paper towels. This would literally be a game changer.

Furthermore, it would be nice to get patterns other than flowers and rainbows. Also colours other than white. Perhaps even lines driven more for men. Production black paper towels would be amazing! Lol.

# Brands and private labels – premiumisation, digitalisation and bricks & mortar

By Soile Kilpi, director, Pöyry Management Consulting

**T**he retail sector continues to go through a transition. On-line shopping is just one of the catalysts. New retail stores are opened, some closed, repurposed for fulfilment ... and how does all this then relate to tissue products?

## Moving on up...

The quality tiers in retail (At-Home) tissue products are well established: value, premium, ultra-premium. As with most other products, the trend for most people is to start with value and move up to premium, and then ultra-premium as your economic situation improves. This trend up the quality level is also supported by the idea of small comforts that people will tend to trade-up for or splurge on. Because economic conditions have been improving since the recession in 2008, this is exactly the scenario that has played out in the US tissue market: premium and ultra-premium purchases have increased while value/economy have remained stagnant.

The US tissue market is approximately a 9.1m tonne market, with the retail portion accounting for around 70% of the total, or 6.2m tonnes. The ultra-premium and premium segments are almost the same size (slight edge to ultra-premium) at around 40% each of the total, leaving 20% for value/economy. In five years, the retail market is forecast to have grown at a rate of ~1%/year, overall. Both ultra-premium and premium tiers will experience volume growth, but the ultra-premium will be the only segment to grow share. The forecast is that it will then account for ~42% of the market, while premium treads water and value/economy loses share.

If retail tissue is further split into branded, e.g. Bounty, Charmin, Angel Soft, and private label, e.g. store brands; the premiumisation trend is bigger in private labels than in brands. This is partially because private labels started as value/economy products and have

only relatively recently been expanding into higher quality products, but it is also because people see value in buying private label products. Although people want better quality products, they still want to feel that they are getting good "value" for their money. For the retailers, they have seen that there is a good opportunity to increase sales by offering a range of products, including the ultra-premiums. Sales of premium and ultra-premium private label tissue products are forecast to increase at a faster rate than brands. Some forecasts have growth in premium private labels as high as 5-6% per year.

## Continuous changes

Retail channels that have for the past five years sold most tissue products are grocery (1/3 of sales), mass merchandisers (1/4) and warehouse clubs (1/9) and these together account for nearly 70% of the sales. Dollar stores and discounters, although with a high number of stores, are usually smaller in size and therefore account for less tissue volume sales.

Changes are taking place in retailing and new stores are opened by e.g. discounters. As US shoppers increased their shopping trips to discount stores during the recession, many never returned to shopping at full-price stores... also because the quality levels with tissue private label improved! Examples are Aldi, Target, Dollar Tree, and Dollar General. The latter is opening +900 new stores this year, remodelling and relocating stores as well. Other discounters like Dollar Tree and Family Dollar will open +600 new stores this year. These discounters can be considered disruptors ... Moving even to New York City and taking share from bodegas, their core is to be very price competitive. In addition, Aldi and Lidl have introduced European style retailing with a high share of private labels.

Not only are new stores being opened, but new concepts are introduced.

Soile Kilpi



Director,  
Pöyry Management Consulting

For example, Target is opening +30 new small format stores in urban and dense suburban areas and college campuses. Costco and Walmart keep growing and steadily expanding store footprint. The latter is opening a mix of Neighbourhood market stores and Supercentres. Somewhat surprisingly, Sam's Club is closing 63 stores and interestingly converting a store or two to e-commerce fulfilment centres.

Shift to digital shopping for bath tissue, paper towels and facial and napkins is gradually happening. In terms of e-commerce share of sales, it is estimated that 6-7% of bath tissue and paper towels are sold online. Amazon moves a lot of volume – and based on Nielsen, its share is over 60% in paper towels and bath tissue online sales. These sales are mainly based on brands, but since 2017 Amazon has been promoting Presto! – Amazon's private label for bath tissue and paper towels as well as laundry detergent – a lot has been happening on the grocery e-commerce front and e.g. Kroger has been building its digital platform and this is showing good results.

How will the retail environment changes impact tissue products and producers?



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Will private label steadily increase its share from 25-27%? Most likely, and especially if we look at the tissue investment activity going forward; large scale new machines and converting lines being put in use by e.g. First Quality, Sofidel and Irving.

Although it feels like brick and mortar retailing is on a positive roll and to a certain degree reinventing itself to cater to changing consumer needs, there are the mall based stores that are still being closed down (e.g. Sears). But these empty stores are being occupied by digital outlets establishing physical stores and making the mall experiences different.

### I know this new restaurant...

The restaurant industry adds its own flavour to the American mall turmoil. The

restaurant business is well known to be a tough business to earn and keep your piece of the pie. Although the urban myth that 90% of new restaurants fail during their first year seems to be just a myth, the more validated 60% failure rate of restaurants within the first three years makes supplying napkins, towel and other tissue products to restaurants a tumultuous value chain.

The type and scale of restaurants surviving and thriving is changing, which impacts the paper product portfolio and fulfilment services required from the food service and janitorial supply distributors serving the AfH segment. The battle is between chain restaurants and mom-and-pop kitchens. And this time, the mom-and-pop shops are winning. The staple of 26,000 shopping centres in the US, Subway, closed over

900 restaurants in 2017. Another 500 are planned to close in 2018. And Subway is just an example of the chain restaurant struggles. Chipotle won't be rolling up your lunch burrito in 55 locations, and you better find something more creative than Applebee's for your next date night in 80 locales this year.

The independent small restaurants have their own point of view when it comes to food, ambiance, and paper products. Different choices of colour (brown is the new green), print, material might be needed and environmental certifications required from a napkin and paper supplier to stay for dinner.

*This article was written for TWM by Soile Kilpi*

## Impact of a private label orientated business

By **Fernanda Accorsi, F.A. RETAIL founder**

**H**ave you ever thought about the launch process of a private label Stock Keeping Unit (SKU)? If yes, you may have realised that this SKU was not a new product, but actually it was a follower of another brand's great idea. By saying that, we are verifying that there is not a high risk involved when a retailer decides to add a new product to its own brand portfolio and the key trigger is usually its aim in offering a more profitable category.

The private label business is orienting market to a whole new direction, and maybe in a few years from now we will see a real segmentation within the categories, due to the battle established with National Brands.

Retailers request a new "own-branded product" to the suppliers whenever they see this product is a high trend in the market, and this can be identified when sales overcome the forecast, or when they believe this new SKU could help them raise their business value – in the tissue sector, this second possibility is very often related to sustainable trends.

Spending on product innovation is not

the focus for large POS (Point-of-Sale) chains that dedicate their investment to provide better technologies to enhance the purchase experience for their clients. Seen from this perspective, it is easy to understand why they request products with successful sales history or products that could bring a positive image to their brand and that do not require R&D.

### Mainstream products will soon remain just as private label

Shoppers increasingly realise that the quality of a mainstream Cartarie Tronchetti product remains the same, no matter the label used to sell it – its own label Foxy Super Soft (in Spain, for example) or wrapped around Carrefour's brand.

On the other hand and due to this retail competitive environment, it may be more interesting for Cartarie Tronchetti to concentrate its efforts and investment on the upper tiers, where differentiation is an important driver – Silk Touch, Cotton 5 Plys, and others.

My opinion is that soon, all the 2 and 3

Fernanda Accorsi



Founder,  
F.A. RETAIL







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ply SKUs (standard or compacts) we find on a supermarket shelf will be private label – and the trend must also reach the small retailers once they've been organising themselves in associations and purchase groups in order to have higher scale, and therefore, get better deals with suppliers.

### Giants team up and change the competition scene

In order to achieve even higher cut prices and to expand their own-label ranges, we see giants like Tesco and Carrefour team up for global purchases. This kind of association is also a reflection of their battle with discount groups like Aldi and Lidl – which mostly offer private label products – and with online players such as Amazon.

With alliances like this, the proportion of private label SKUs in the POS tend to increase once they are more profitable than the branded options. And the chain that currently has got better deals with manufacturers could recommend its private label supplier to the other.

While some years ago we thought that this kind of movement could probably raise the gap between large branded suppliers and small ones, by not providing enough tools to the latter to compete among the sharks, the picture has been changing.

**In order to achieve even higher cut prices and to expand their own-label ranges, we see giants like Tesco and Carrefour team up for global purchases. This kind of association is also a reflection of their battle with discount groups like Aldi and Lidl.**

Smaller players have more agility these days and can innovate much faster – giving them a chance to be innovative and find market niches where they could win the race.

### Better portfolio and focus on good business

If the mainstream SKUs remain an exclusivity of private label, suppliers will need to work on their branded portfolio, “cleaning” unnecessary products and focusing on offering the



**Cutting-edge innovation:** Portugal's Renova recently launched toilet paper wrapped in paper instead of plastic.

best quality products that they can.

Provide the main information using a clear packaging communication. Create a real value with what is being offered and help the shopper during the purchase process. At the end, the client must be the centre, and if companies can focus on that they will find other ways of doing business – better business.

Branded brands, from large or small suppliers, can focus on developing sustainable solutions as a differentiation. And if they do it well, maybe the trend will also reach the private label sphere – if we cannot fight the private label invasion, let's make it worth it.

Kimberly-Clark changed the toilet paper category in Brazil by being the first to introduce a product where the rolls were squeezed inside the package (locally called “compacted versions”) – and brought an ecological and sustainable approach with it.

After a couple of years, different brands followed the leader and replaced standard packages with “compact roll” packages – including most of the private label brands.

If innovative brands create new opportunities by providing branded products, these can open the doors for better private label SKUs as well, and that's what we want to see as consumers.

If private label is the big trend, make sure you offer a quality one, no matter for what tier of product.

If you are a small supplier, take advantage of your agility. If you make things happen faster, you may have found your key differentiation. The market is always changing, consumption behaviour is determined by life cycles and needs.

*This article was written for TWM by F.A. RETAIL founder Fernanda Accorsi.*

**While some years ago we thought that this kind of movement could probably raise the gap between large branded suppliers and small ones, by not providing enough tools to the latter to compete among the sharks, the picture has been changing.**



# Environment: Technical Theme - “Our energy vision boosts our bottom line and sustains our future”

*At Tissue World Miami in March, Resolute Forest Products’ Calhoun mill was awarded the Most Energy-Aware Mill Award. Here, Patrice Minguez, president, Tissue Group, describes what the company did to achieve the award. A TWM report.*

Patrice Minguez



President,  
Tissue Group, Resolute Forest Products

“Improving energy efficiency, reducing our carbon footprint and increasing the use of lower-carbon fuels is vital to us as we seek new opportunities to invest in energy projects that will ultimately benefit our bottom line.

“Our tissue segment, Resolute Tissue, is one of the most integrated tissue businesses in North America and we are striving to make it one of the most competitive. Our bath tissue and towel products are manufactured from 100% recycled pulp or from virgin fibre across the company’s internal market pulp network.

“This allows us to control the production process – from material input to final product – ensuring precise control, cost-competitiveness and consistent quality, while offering the flexibility and customisation our customers demand.

“Our three tissue mills have a combined annual production capacity of 128,000 short tonnes (116,000 metric tonnes) across four tissue machines and 14 converting lines.

“Product lines include the Green Heritage brand, a premium choice for the retail market made from 100% recycled pulp, as well as a full range of products under our Harmony brand of virgin tissue grades – namely, Harmony Pro and Harmony Pro Ultra for the AfH market.

“In 2015, as part of our business strategy to integrate our pulp into value-added, quality tissue, we announced investments of over \$100m at our Calhoun (Tennessee) facility to install a modern continuous pulp digester and wood chip processing equipment, which replaced eight older batch digesters.



**Business strategy:** a key feature is the integration of the company’s pulp into value-added, quality tissue, which has meant investments worth \$100m at its Calhoun, Tennessee-based facility

**“Our bath tissue and towel products are manufactured from 100% recycled pulp or from virgin fibre across the company’s internal market pulp network. This allows us to control the production process – from material input to final product – ensuring precise control, cost-competitiveness and consistent quality.**

"The next year, we followed up with a \$300m investment to build a state-of-the-art tissue facility.

"A year later, the first parent roll at our Calhoun tissue mill was produced on February 28, 2017. The mill has an annual production capacity of 66,000 short tonnes of premium private-label tissue, including bath and towel, primarily aimed at the retail market.

"Major capital investments in our tissue operations allowed us to align our business objectives with our commitment to environmental stewardship, reinforcing our vision that profitability and sustainability drive our future.

"In March, Tissue World recognised these efforts by naming our Calhoun tissue mill the 'Most Energy-Aware Mill'. The annual award is given to mills whose energy reduction efforts and overall sustainability initiatives are exceptional.

"In 2016, our Hialeah tissue mill – one of two Resolute Tissue operations in Florida – was also named 'most energy-aware mill' by Tissue World.

### **"The switch to lower carbon fuels, along with the enhanced energy efficiency, has considerably reduced the operation's greenhouse gas (GHG) emissions."**

"The installation of the continuous pulp digester at our Calhoun tissue mill has resulted in significant energy improvements and efficiencies at the pulp and paper facilities as well as at the tissue manufacturing operation and converting facility.

"We have achieved gains in energy efficiency due to lower installed horsepower and reduced steam usage overall, in addition to advanced heat and chemical recovery processes in the new digester.

"The thermal energy intensity of our production decreased by 10% in 2017 compared to the same time period in 2013, which represents savings of nearly 1,350,000 gigajoule of energy – equivalent to the electricity used by 42,000 homes over the course of an entire year.

### **"The first parent roll at our Calhoun tissue mill was produced on February 28, 2017. The mill has an annual production capacity of 66,000 short tonnes of premium private-label tissue, including bath and towel, primarily aimed at the retail market."**

"The Calhoun operation has also completed a permanent conversion of its four on-site boilers from coal to natural gas – a lower emission fuel option.

"The switch to lower carbon fuels, along with the enhanced energy efficiency, has considerably reduced the operation's greenhouse gas (GHG) emissions.

"The Calhoun mill also generates green energy from our on-site cogeneration facility, which has a total installed capacity of 64 MWh, allowing us to extract more energy from biomass by producing both thermal and electrical energy.

"This, in turn, reduces the amount of GHGs released into the atmosphere.

"In 2017, the Calhoun operation met 68% of its energy requirements using

to 331,241 metric tonnes in 2017 – a 72% emission reduction.

"The investments at our Calhoun operation contributed significantly to the company's global goal of reducing absolute (scope 1 and 2) GHG emissions to 65% below year 2000 levels by 2015.

"In 2017, we exceeded this commitment with an impressive 76% reduction company-wide.

"In recognition of our industry-leading sustainability, environmental and safety performance, Resolute has won over 20 regional, North American and international awards and distinctions in the past year alone.

"Calhoun also won the first-ever Carbon Reduction/Leadership Circle Award from the Tennessee Valley Authority (TVA) in 2017 for achieving the lowest carbon emission rates during the year.

"Resolute's environmental leadership is also driven by the innovative products we take to market, such as our new Green Heritage line of premium 100% recycled bath tissue for the At-Home market.

"The top pick at StoreBrands' 2017 Editors' Picks Awards, winning gold in the paper products category, Green Heritage is environmentally friendly, dye-free, fragrance-free and septic-safe.

"Proudly produced in the United States, this premium tissue carries the Green Seal-certification, is manufactured from 100% recycled fibre, and doesn't require chlorine bleach or any ozone-depleting chemicals in the manufacturing process."

### **"We have achieved gains in energy efficiency due to lower installed horsepower and reduced steam usage overall, in addition to advanced heat and chemical recovery processes in the new digester."**

self-generated or owned renewable power, including biomass fuel in on-site boilers (80% of the total) and electricity from cogeneration (29% of the total).

"Now operating coal-free, Calhoun has reduced its direct and indirect GHG emissions as follows:

- Direct emissions (scope 1) from 485,982 metric tonnes in 2000 to 177,437 metric tonnes in 2017 – a 63% emission reduction;
- Indirect emissions (scope 2) from 1.18 million metric tonnes in 2000





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# Georgia – rising tissue market in Caucasus Mountains

The tissue story in the former Soviet republic emerged after independence in 1991, and is marked by headline percentage growth figures – 30- 51 – 54%. But increased disposable incomes, product familiarity, modern retailing and distribution, devaluation of the local currency and a local entrepreneurial spirit all point to a deeper resurgence. Industry insider Greg Grishchenko reports.

There is a local legend about Georgia. When the Almighty distributed land among peoples after creation of the world, he forgot about Georgians. When reminded about such mistake he decided to give Georgians something from his private stock which he kept for himself. This country of fascinating beauty with a population of 3.8m reveals incredible landscapes from subtropical sea beaches in the East to ski resorts in the Central region and Alazani Valley vineyards in the West. Georgia's mountainous area of about 69,000 square kilometres between the Black and Caspian Seas had been a crossroad between cultures of West and East for hundreds of years. Proximity to the Great Silk Road, Persia, Russian and Ottoman Empires defined the country's destiny not only as a great trading place but also a site of bloody wars.

Georgia has always been rich in water and natural resources and during its Soviet period produced a range of industrial products coming from large steel mill in Rustavi, advanced truck plant in Kutaisi and manganese mining complex in Chiatura. The breakdown of the Soviet Union almost wiped out established industries that never recovered. Later on, going from bad to worse Georgia lost nearly 18% of its territory in the wars with separatists in Abkhazia and South Ossetia.

Things got a little better under the presidency of Eduard Shevardnadze (1992-2003), the former Soviet Communist party boss who established some economic stability. The most significant changes came to Georgia with controversial Mikheil Saakashvili who was the country's President from 2004 to 2013. Being a young Western educated politician he successfully wiped out corruption in the police force and completed numerous construction and restoration projects that aimed to bring a new image of a tourist destination to the country. After his demise, the country continues to gradually improve economic climate while keeping stable relationship with all neighbours.

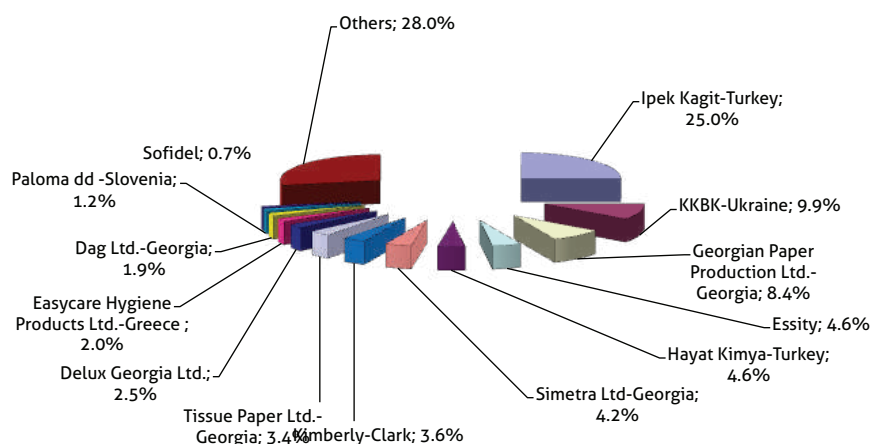


## Market build-up

The tissue portion of the paper trade in Georgia has emerged in the early 1990's along with political turmoil and economic hardship that came along with newly acquired independence. Long-established supply channels for such consumer products from limited sources associated with the Soviet planned economy disappeared almost overnight. At that time, new supply routes from neighbouring Russia, Turkey and Ukraine brought in a variety of tissue products. Over the last decade growing disposable incomes, increased product familiarity and rise of modern distribution channels all helped to intensify tissue consumption. In addition, the devaluation of the local currency, lari, in 2014, supported growth.

Georgia's tissue market with about 20,000 tonnes consumed in 2017 continues to grow showing significant increase of about 30% if compared with 2012. The range and selection of consumer tissue goods represented on shelves of supermarkets and drugstores reflects the market progress in Georgia's tissue from premium to economy brands in all categories but especially in kitchen towels. According to Euromonitor International, paper towels had shown 54% growth over the last five years, the highest number for all tissue categories. Only twenty years ago same kitchen towels as household

**Tissue Market in Georgia 2017**





staple was meant to be made of cloth and going to a washer.

With the absence of major local integrated tissue producers Georgian market dynamics are driven by two key factors: imports of finished product from big players and local tissue converting companies relying on imported jumbo rolls. Sharing a common border with Turkey, one of the world's leaders in tissue manufacturing, helps a lot. Indeed, Ipek Kagit with its wide product portfolio was the leader in Georgian tissue sales in 2017 keeping presence in almost all regions of the country and supporting uninterrupted product flow in both traditional and emerging retail conduits. Eczacıbaşı Consumer Products (formerly Ipek Kagit) is strong in marketing of its most popular brands Selpak and Solo comes from advantageous price-to-quality ratio supported with advertising.

Number two in retail tissue sales, Kyivsky Kartonno-Paperovy Kombinat from Ukraine, is a manufacturer and distributor of Obukhiv brand toilet paper that falls into coreless economy category made of recycled fibre.

Hayat Kimya, another Turkish key paper supplier promotes its brand Papia with compelling advertising

**With the absence of major local integrated tissue producers Georgian market dynamics are driven by two key factors: imports of finished product from big players and local tissue converting companies relying on imported jumbo rolls.**

commercials and recurrent discounting campaigns offering lower price than Eczacıbaşı Consumer Products in premium category.

While disposable incomes of significant numbers of the population in Georgia remain low, tissue product price, such as toilet paper, plays important part in household budget planning. With the absence of low cost private labels only recycled retail tissue satisfies demand for a cheap product. That is why the fastest growing area within retail tissue in 2017 was recycled toilet paper made by local manufacturers.

Most of about a dozen companies in this area are quite small, with limited capital. With the growth of modern retailer chains such companies may be pushed to traditional groceries who are less concerned with financial strength expected from suppliers. Despite that recycled toilet paper is a quite small sales category, the local company,

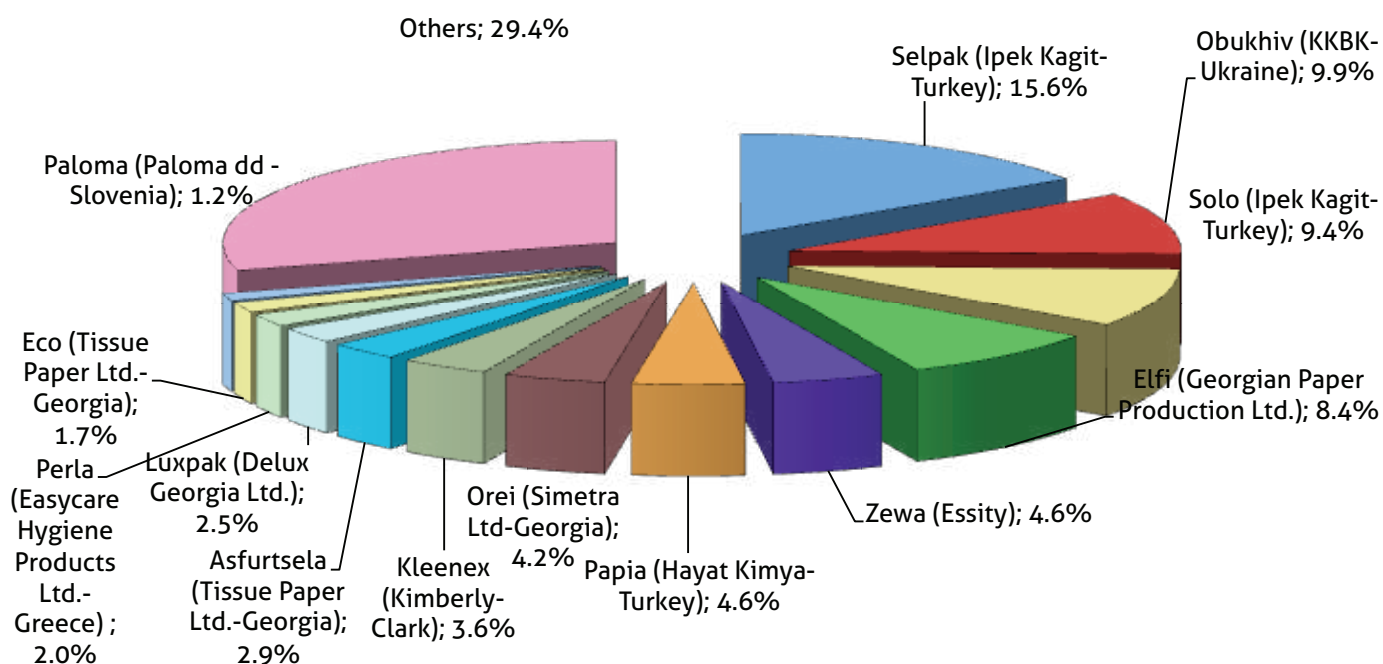
Georgian Paper Production has become a major player, ranking third in overall retail tissue sales in 2017.

### Retail development

In 2017 according to Euromonitor International, 56.7% of the country's \$26.2m tissue retail sales are bathroom tissue, with other principal tissue products like paper towels and facial tissues making 18.2% and 18.5% respectively. Annual per capita tissue consumption in Georgia is about 5.3kg. Around a half of tissue imports to the country come in the form of high quality toilet paper, kitchen towels and other tissue categories. Incontinence goods are exclusively imported from multinationals such as Procter & Gamble, Kimberly-Clark and Essity and took \$45.4m in 2017 sales.

Distribution of tissue goods is trailing overall retail trends in Georgia. Sales generated in traditional grocery

## Tissue Brands in Georgia 2017



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retailers, mainly street corner independent groceries are gradually declining due to the expansion of modern grocery retailers, primarily supermarkets and hypermarkets. The percentage of Georgians who prefer big supermarket chain shopping over still popular open air markets and small groceries is gradually growing. According to Euromonitor International, supermarket shopping in the country grew from 12.4% in 2012 to 15.6% in 2017 while sales in independent non-chain groceries declined from 41.2% in 2012 to 31.6% in 2017.

While local grocery retailers in Georgia started to open modern style supermarkets in the early 2000s, it took a decade for major international chains to step in. Currently only in Tbilisi there are four Carrefour (headquartered in France) and six Dutch affiliated SPAR supermarkets in addition to several Georgian and Turkish chains (Foodmart, Smart, Goodwill, Nikora, Tursa).

Major chain supermarkets offer a wide range of toilet paper, kitchen towels and napkins from premium brand suppliers to various economy goods both imported and locally made, attracting customers with lower price promotions in dedicated store areas or special isles with jumbo packs on sale.

## Local manufacturing

Entrepreneurial spirit in Georgia during hard times helped to create local "buy or make" economics in consumer tissue. Currently there is a group of nearly a dozen small local tissue product manufacturers with annual capacity from 2,000 to 5,000 tonnes converting imported jumbo rolls into finished product.

One of the local leading manufacturers, Kriala (Tissue Paper), a part of Georgian holding Palitra Media, was established in 2014 in Tbilisi and employs 85 people. The company invested nearly \$5m to become full cycle integrated tissue producer and reportedly makes own tissue from recovered fibre on its own Chinese made tissue former with the capacity up to 5 tonnes per day. Kriala also converts 100% virgin fibre jumbo rolls from Turkey. The company's



product range includes premium 2-ply and 3-ply bathroom tissue, kitchen towels and napkins under variety of brand names like Kriala, Fafuki and Eco. The company also makes economy coreless toilet paper brand Asfurtsela and a range of virgin and recycled stock tissue products for AfH market including jumbo toilet rolls and Z-fold napkins for industrial dispensers.

Since its opening the company announced two major operational goals: ecological awareness and replacement of imported tissue products with local produce setting the aim to satisfy 30% of Georgian consumer tissue market. Currently, despite difficulties

with secondary fibre collection in the country Tissue Paper makes an effort to "go green" running "Green Holidays" promotion in partnership with CENN (Caucasus Environmental Non-Governmental Organization Network ) offering cash prizes and new books for public schools participating in waste paper collection during school holidays.

Simetra, located in Tbilisi, is the number two retail tissue and toilet paper producer in the country. The company is privately owned, employs nearly 60 and reported sales revenue of about \$1 million in 2017 which is nearly 4% of Georgian retail tissue market.



**Wide variety:** major supermarket chains offer a range of tissue products from premium brand suppliers to various economy goods, both imported and locally made, attracting customers with lower price promotions in dedicated store areas or special isles with jumbo packs on sale.



With its own brand Orei the company is present in toilet paper, kitchen towels and napkins in retail and AfH segments. The company also makes disposable bed liner for medical offices.

Simetra converts exclusively virgin stock from Turkish suppliers and have significant presence in major Georgian supermarket chains.

In addition to manufacturing of premium tissue products Simetra runs Orei Distribution Network providing tissue product delivery using own trucks to supermarkets and AfH/HoReCa organisations.

Speaking about future plans, Beqa Sikharulidze, chief executive of Simetra, says the company's main goal is to establish the competitive presence in the Georgian premium tissue market. "We capitalise on gradual growth of household income in Georgia and low confidence in recycled tissue with the general population. Our brand Orei offers high quality product attractively packaged and competitively priced," he says.

Three more companies with a presence in the Georgian tissue market should be cited. Georgian companies Georgian Paper Production (brand Elfi), Dag (brand Eco-nomy) and Delux (brand Luxpak) over the last five years significantly reduced their market presence in the recycled category to 8.4%, 1.9%, and 2.5% respectively, reflecting current



**Added-value:** major supermarket chains offer a range of tissue products from premium brand suppliers to various economy goods, both imported and locally made

market demand shift from recycled to virgin tissue.

## Non-retail tissue standing

Over the past decade, the number of international visitors including tourists has been rising in Georgia. There could be several aspects of this gradual growth: positive trend in relationships with neighbouring countries despite former wars, low cost of living, low crime, excellent local cuisine and traditional hospitality.

This trend increases AfH tissue sales and commences growth of the HoReCa (Hotels/Restaurants/Cafes) food industry segment. In Georgia, rising

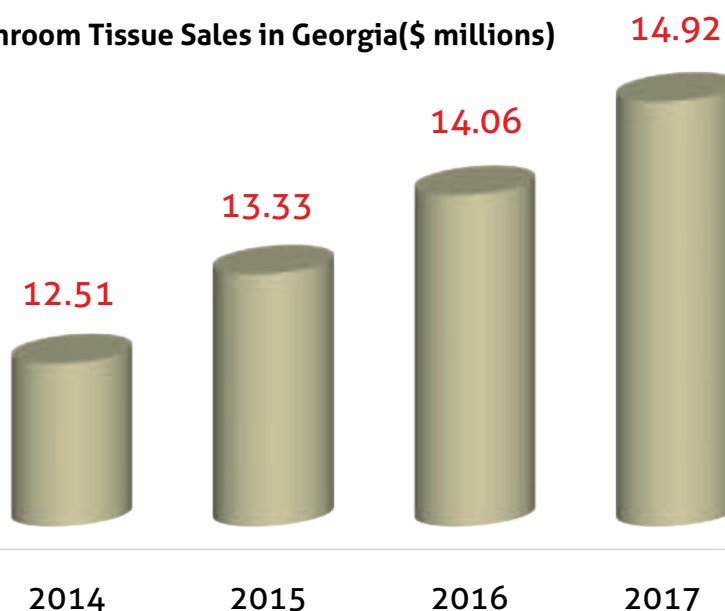
demand in AfH tissue products is also driving up consumption of retail tissue as well.

HoReCa rise is a quite recent phenomena in the country where for the last five years the largest international hotel chains opened several four and five star hotels in major cities and resorts. Demand is being driven not only by premium hotels, but also state organisations and industrial businesses.

With growing financing for tissue goods almost all HoReCa participants prefer to choose international brands which dominate sales in this area due to their offering higher quality, low prices and ability to maintain a constant supply of goods without interruptions. However, in recent years a number of small local tissue converters (Simetra, Krialia, LMS, Dag and Mzchetis Kagaldi) begin to enter AfH area offering competitive bids.

In 2017 AfH paper towels remain the most popular tissue product in Georgia's foodservice outlets posting about 46% of the overall sales. According to Euromonitor International, the AfH tissue segment in Georgia reached about 1,300 tonnes in 2017 with net sales growth of about 51% from \$1.18m in 2012 to \$1.78m in 2017. Projected AfH sales amount for the 2017-2022 period shows increase of 41.8% reaching \$2.52m in 2022. AfH paper towels expected to continue posting growth over this period showing 45.7% increase.

## Bathroom Tissue Sales in Georgia(\$ millions)



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Tissue World Istanbul 2018	4-6 Sep, 2018	Istanbul, Turkey	<a href="http://www.tissueworld.com/istanbul">www.tissueworld.com/istanbul</a>
CCE Southeast Asia	5-7 Sep, 2018	Bangkok, Thailand	<a href="http://www.cce-southeastasia.com/english/">www.cce-southeastasia.com/english/</a>
Paper Middle East	10 -12 Sep, 2018	Cairo, Egypt	<a href="http://www.papermiddleeast.com/">www.papermiddleeast.com/</a>
PRIMA Paper 2018	19-20 Sep, 2018	Amsterdam, Netherlands	<a href="http://www.prima-paper.com/">www.prima-paper.com/</a>
Labelexpo Americas 2018	25-27 Sep, 2018	Chicago, USA	<a href="http://www.labelexpo-americas.com/">www.labelexpo-americas.com/</a>
Tissue 2018	2-5 Oct, 2018	Appleton, WI, USA	<a href="http://www.tissue2018.com/">www.tissue2018.com/</a>
MIAC 2018	10-12 Oct, 2018	Lucca, Italy	<a href="http://www.miac.info/">www.miac.info/</a>
Paper & Beyond	16-17 Oct, 2018	Brussels, Belgium	<a href="http://www.paperandbeyond.com/">www.paperandbeyond.com/</a>
ABTCP EXPO 2018	23-25 Oct, 2018	São Paulo, Brazil	<a href="http://www.abtcp2018.org.br/en/">www.abtcp2018.org.br/en/</a>
Tecnicelpa	24-26 Oct, 2018	Castelo Branco, Portugal	<a href="http://www.tecnicelpa.com/">www.tecnicelpa.com/</a>
2018	29 Oct-1 Nov, 2018	Dallas, TX, USA	<a href="http://www.issa.com">www.issa.com</a>
PAP-FOR	13 -16 Nov, 2018	St. Petersburg, Russia	<a href="http://www.papfor.com/">www.papfor.com/</a>
Paperex South India 2018	15-18 Nov, 2018	Chennai, India	<a href="http://www.southindia.paperex.in/">www.southindia.paperex.in/</a>
Labelexpo India 2018	22-25 Nov, 2018	Greater Noida, India	<a href="http://www.labelexpo-india.com/">www.labelexpo-india.com/</a>
Paper One	28-30 Jan, 2018	Beirut, Lebanon	<a href="http://www.paperoneshow.net/">www.paperoneshow.net/</a>
Paperweek Canada	4-7 Feb, 2019	Montreal, Canada	<a href="http://www.paperweekcanada.ca/">www.paperweekcanada.ca/</a>
Tissue World Milan 2019	25-27 March, 2019	Milan, Italy	<a href="http://www.tissueworld.com/milan">www.tissueworld.com/milan</a>
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☐ Other Tissue Grades, please specify: .....

### B. JUMBO ROLL SUPPLIER

- ☐ Jumbo Roll Maker, for sale to converters

### E. SUPPLIER TO THE TISSUE INDUSTRY Please check all that apply:

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☐ Process automation and control  
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☐ Stock preparation, fiber processing and pulping equipment  
☐ Fibers: Market pulp and recycled fiber  
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- ☐ Converting machinery and supplies  
☐ Printing machinery and supplies  
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☐ Embossing rolls

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- ☐ Consumer Finished products  
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