

TWM

TISSUE WORLD MAGAZINE

The independent news
provider for the global
tissue business

COUNTRY REPORT SPAIN:

SPANISH TISSUE
IS READY
FOR A GREEN
REVOLUTION

Plus ..

MarketIssues

Global tissue consumption could be doubled

Review 2019-2020

Leading analysts assess changing markets

Technical Theme: Environment

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ExitIssues

The Baltic States emerging from the Soviet era

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▲ A change in national buying habits

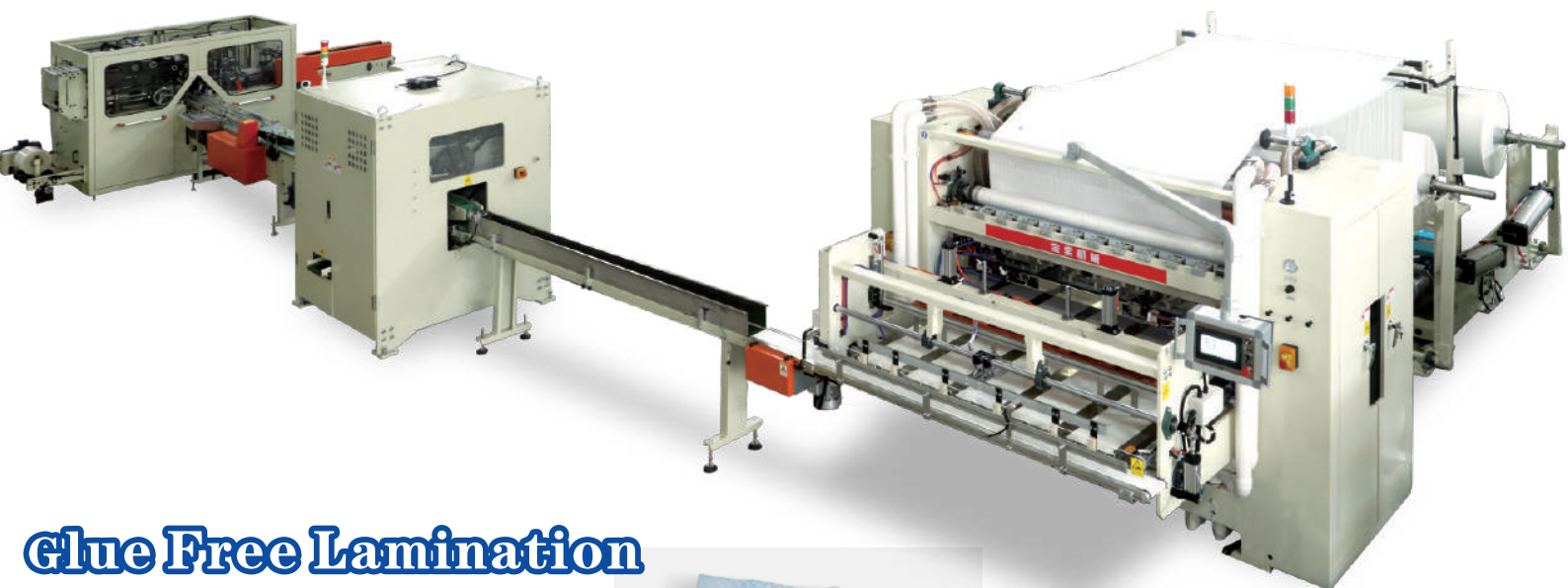
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Cover: Image of the green revolution that Spanish tissue manufacturers expect to see developing soon in their local markets. By Contract Creative, Manchester, UK



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FrontIssues

SPAIN: IS THE GREEN REVOLUTION READY TO TAKE OFF?

Helen Morris

Senior Editor, Tissue World Magazine

Visiting mills for our Country Report brings home a real appreciation that Spain's tissue industry is on the brink of a new era. It is just a matter of when.

Luciano Lopez expects it to be little short of a cultural revolution. Importantly, he plans to be not just ready to reap the benefits when that happens, but to play an active part in changing Spanish consumers' buying habits.

Luciano is plant director at Lucart Tissue & Soap, the Lucart Group's Artziniega-based converting facility, a short distance from the vibrant Basque-Country city of Bilbao. Sustainability was a key reason for Lucart Group's move into production in Spain, the potential for developing recycle paper products. In four, five or six years, he reckons, the market will change significantly.

To-date Spaniards, he says, have had a 'big problem' with recycling: "If you go to a supermarket here in Spain and try to find recycled paper, you won't find it. I don't know when exactly, but demand for these products will explode. And we will be ready when it does."

That readiness is manifest in investing to boost production from 200 to 1,600 tonnes per month.

He aims to be an enabler: "We would like to be productive in bringing these products to the market, changing people's habits and buying preferences and making people realise that this is something that is needed. At the moment, we haven't created the right culture, and we want to encourage people to move in that direction."

In Besalú, Girona, L.C. Paper has long been ahead of the curve on sustainability. Chief executive Joan Vila sees "an awakening" over consumer tissue products.

He explains the complexity behind his statement that LC Paper is the first European tissue manufacturer with carbon-neutral production lines ... rethinking sources of energy and materials, adapting manufacturing processes, products, packaging ... each operation of the company strongly impacted by that cross-department goal.

Our research analysis of Spanish tissue details fundamental issues against which optimism on the ground should be judged: 2018 retail sales at less than 1% growth volume; five-year growth rates to remain static; high unemployment; low Spanish birth rate and emigration to EU countries seeking work; 2018 consumer spending just recovered from 2007 level; and unmet value potential in tissue of USD473m.

Global consumption of tissue has potential to double

World tissue consumption has grown continuously year-on-year for more than 30 years. In 2018, global tissue consumption reached 38.7m tonnes and is approaching the benchmark of 40m tonnes this year.

Top consumer the US – at 25kg per person – is likely to remain unmatched, but untapped potential consumption in other regions of the world is still huge ... less than 1.0kg in Africa and Asia Far East for example. Of course, the key word is potential. Some potential is harder to realise than others.

Marketissues with Esko Uutela explores short- and long-term prospects: what forces are driving market growth; will competing products and systems challenge the outlook; where are the best expansion opportunities; will the intensity of use of tissue continue to grow ... or are we gradually nearing the absolute limits?

GLOBAL AVERAGE PER CAPITA TISSUE CONSUMPTION STANDS AT ABOVE 5KG – BUT 10KG IS POSSIBLE

While the US – currently 25kg per person – is likely to remain unmatched, untapped potential growth in other regions of the world is still huge. Esko Uutela, principal, tissue, at Fastmarkets RISI, reports.

MI



Esko Uutela
Principal, tissue, Fastmarket RISI

World tissue consumption has grown continuously year after year for at least as long as I have followed this business development, which is now more than 30 years. Even in 2009, which was a very negative year for most other paper and board grades in the cross swells of the 2008/2009 Great Recession, the global tissue market continued to expand, albeit by only 1.2% compared to the average annual growth rate of 3.7% recorded in the previous 25 years (since 1993).

In 2018, global tissue consumption reached 38.7m tonnes and is approaching the benchmark of 40m tonnes this year; in 1993, the market was a tiny 15.5 million tonnes. Tissue has passed newsprint in market size, something that would have been hard to believe 20 years ago.

But despite the favourable

developments in the past couple of decades, several questions arise. Will this robust growth continue and for how long? What forces are driving market growth? Will there be any factors changing the outlook, such as competing products or systems, for tissue in the longer term? In which parts of the world will the best expansion opportunities be? How much tissue is needed by each person? Will the use-intensity continue to grow or are we gradually closing in on the absolute limits?

Per capita consumption is the common way to compare how advanced regions are using a commodity. Globally, average per capita consumption is not more than 5.2kg (2018), but there are huge differences between regions, from almost 26kg per head in North America to less than 1.0kg in Africa and Asia Far East (Figure 1).

This situation can be interpreted in

Figure 1
Per capita consumption of tissue by world region, 2018
Kilograms per person

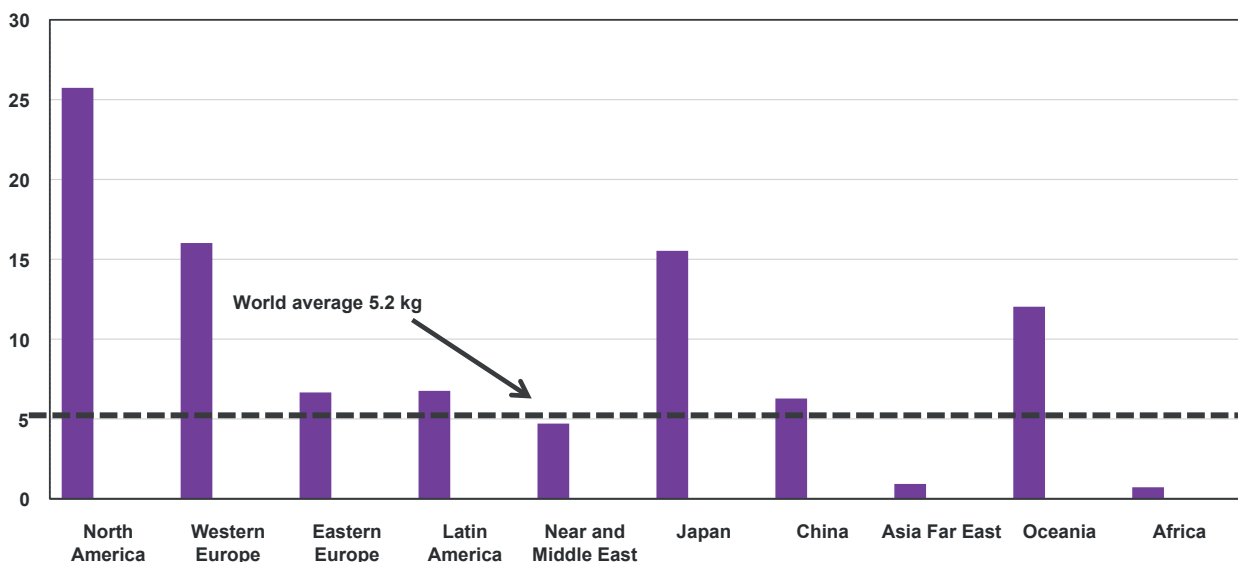


Figure 1: Per capita consumption of tissue by world region, 2018

many ways. Optimistically, with many regions lagging so far behind the leaders, there is huge potential for growth and it is only a question of time before the take off in tissue consumption in the less developed regions begins. The opposite of this outlook is to believe that tissue will never become popular in all regions, but instead remain a necessity in industrialised countries but a niche or even unpopular product in emerging countries with different cultures, religions and habits. The midway view is to say that tissue will gradually penetrate new regions but never reach the same use intensity or per capita consumption as in the most advanced regions because of regional differences in lifestyle. Having followed market developments for a couple of decades, it appears the most likely outcome is somewhere between the two extremes.

There are several factors driving tissue consumption. Population growth and economic developments are the two main factors. GDP growth does not have a very close relationship to tissue consumption in advanced economies, but is a barrier in the poorest countries. Demographic changes have a rather direct relationship with tissue consumption, provided economic development has reached a certain level – typically this threshold is around US\$3,000-4,000 of annual income per capita before tissue starts its penetration as a consumer product.

For this reason, the share of non-consumers of tissue is still relatively high in the poorest nations in Africa and Asia. Religion, in Muslim countries in particular,

and traditional hygiene habits, such as the use of water in India, are restricting tissue use as well.

Tissue is one of the few global products with relatively limited competition from other products or materials in its basic use as toilet paper. In Japan, high-tech toilets based on water and/or air jetting with several additional functions, including automatic lid opening, music, ozone deodorant systems and urinalysis, seem to have had some negative impact on toilet tissue consumption. In towelling, air-blowing dryers and textile wiping systems are clear competitors to paper towels.

In napkins, air-laid tissue and textile napkins compete with paper napkins. And perhaps the most important effect has been in baby diapers, where new designs with super-absorbents have effectively replaced the traditional tissue carrier sheet in diaper constructions, although tissue has again made some inroads in high-quality products due to its ability to give more stiffness and stability to the product.

But with average per capita consumption of tissue at just above 5kg per person now, there is still a lot of potential in many regions.

While it is hard to believe that any other region would reach the level of North America at 25kg or more of tissue use per person, 10kg on average would double global tissue consumption, putting it close to 80m tonnes. This is fully possible, but will take so long that I personally will most likely not see it during my lifetime. Increases in the global population, if it continues to grow at almost 1.0% per year,

will raise tissue consumption in the most advanced regions, such as North America, as well.

Per region, we see the most interesting potential in Asia (excluding Japan), Latin America and parts of Africa. China has recently been the main driver for global tissue consumption, and with its average per capita consumption at 6.3kg, there is still a lot of untapped potential there.

In several countries in Asia Far East, tissue has started to pick up, even in India, but the starting level is so low that it will take time before consumption in this region will have more global importance. Latin America seems to be following western consumption patterns and its growth prospects are good. Even in Africa, we have seen tissue consumption expand in a few countries in recent years.

I am rather confident that global tissue consumption will continue on its sound growth track, but the average annual growth rate will likely see a gradual slowing from its present 3.5-3.7% annual pace.

Our current ten-year forecast ends at a level of 50m tonnes of tissue consumption, and there is no reason to think this will not take place. It can be concluded that the future outlook for tissue is good if demand prospects continue to be good. However, this does not mean tissue is an easy business to enter.

Many companies have seen the attractiveness of the segment and investments have followed, resulting in a keen competition between suppliers in nearly every corner of the globe.

Figure 2
Development of world tissue consumption with forecast until 2027
Million tonnes

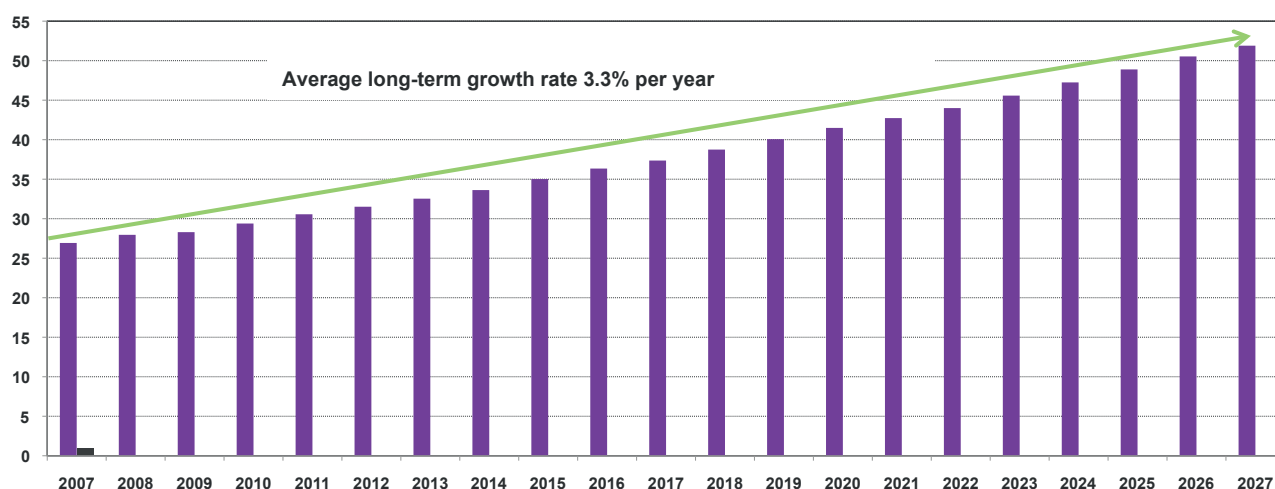


Figure 2: Development of world tissue consumption with forecast until 2027



Start-up team: Japan's Marutomi boosts capacity with first of two Toscotec-supplied start-ups

JAPAN

Marutomi boosts capacity with first of two start-ups; second line scheduled for start-up in 2020 at Ono Paper's mill

Marutomi has started-up a MODULO-PLUS ES tissue machine supplied by Toscotec at its paper mill in Fuji city, Shizuoka.

It is the first of two tissue lines ordered by the Japanese producer.

The second line is scheduled for start-up in 2020 at Ono Paper's mill.

The MODULO-PLUS ES machine features a sheet width of 2.8m, an operating speed of 1,500m/min and produces over 22,000tpy of high quality tissue.

It is equipped with TT NextPress, a second generation TT SYD, TT Hood-Duo steam-heated hoods and Toscotec's proprietary Distributed Control System TT DCS, which was developed especially for this project on a Mitsubishi platform in cooperation with the Japanese Corporation.

The scope also includes Toscotec's patented TT SAF (Short Approach Flow) system, dust and mist removal systems, an automatic shaft return system on the pope reel and an in-line shaft puller.

The service package consists of the plant's detailed engineering, erection supervision, commissioning and start-up assistance.

MARUTOMI HAS STARTED-UP A MODULO-PLUS ES TISSUE MACHINE SUPPLIED BY TOSCOTEC AT ITS PAPER MILL IN FUJI CITY, SHIZUOKA. IT IS THE FIRST OF TWO TISSUE LINES ORDERED BY THE JAPANESE PRODUCER. THE SECOND LINE IS SCHEDULED FOR START-UP IN 2020 AT ONO PAPER'S MILL.

Shinichi Kato, vice president of Marutomi Engineering Co., said: "Both commissioning and start-up went very well.

"We are happy with the paper quality we are getting right after start-up and our team is already working with Toscotec to fine-tune all the key parameters.

"We expect great results on the energy efficiency of this production line".

Founded in 1955, Marutomi Paper is one of the main tissue producers in Japan.

The Marutomi Group today mainly specialises in toilet tissue from 100% recycled fibre, with an annual production output of 150,000 tonnes, of which 95% is toilet tissue and 5% kitchen towel, with an estimated market share of 15%.

MEXICO

Blue Tissue boosts capacity with TM start-up

Blue Tissue has increased its production capacity after starting up an iDEAL Master Tissue Machine.

Supplied by A.Celli, the turnkey plant includes the two-ply slit A.Celli E-Wind T100 rewinder in addition to the tissue machine, which will integrate into the customer's existing converting line.

The line was installed in the tissue manufacturer's Apizaco plant.

This is a single machine (2.7m pope reel width) for the production of tissue rolls with a diameter of 2.5m, working at speeds of 2,000, with a production capacity of 110tpd.



**nature is a perfect
technology**
**our technology
is perfect for nature**

Our commitment is to provide **innovative technological solutions**
to produce **sustainable tissue products**.



João Castelo Branco: the Navigator Company's chief executive and president of the Sustainability forum

GLOBAL

Navigator aims to achieve carbon neutrality by 2035

The Navigator Company has announced a €158m investment to achieve carbon neutrality by 2035 by giving all of its industrial complexes a net zero carbon footprint. In view of the European Union's goal for Europe to have net zero CO2 emissions by 2050 and given Portugal's commitment to achieve this target by this same date, The Navigator Company said it has decided to meet these goals 15 years earlier.

The company has created its own carbon neutrality roadmap, with a set of investments in renewable energies and new technologies to reduce CO2 emissions and plant forests in a way that offsets those emissions which cannot be fully eliminated.

The forests managed by the Navigator Company in Portugal have a carbon stock – not including carbon in the soil – equivalent to 5.4m tonnes of CO2.

The Navigator Company is an integrated producer of forests, pulp and paper, tissue and energy.

PCMC boosts packaging offering with STAX acquisition: move marks "new era"

Paper Converting Machine Company (PCMC) has increased its offering in the tissue packaging sector after acquiring Serbian-based STAX Technologies.

The move adds reciprocating flow technology to PCMC's tissue packaging product line offering.

Established 17 years ago, Čačak-headquartered STAX is a market leader in the tissue packaging equipment industry, producing wrappers, bundlers, casepackers and palletisers.

Sergio Casella, PCMC-Italy president, said: "This marks a new era for PCMC. By adding STAX's expertise and capabilities, we are the only manufacturer to offer both reciprocating and continuous flow equipment as well as complete solutions from unwinders through palletisers for customers worldwide."

Part of the Barry-Wehmiller group, PCMC specialises in the design and manufacture of converting machinery for the tissue, nonwovens and package-printing industries worldwide.

Bob Chapman, Barry-Wehmiller chairman and chief executive, said: "This new partnership with STAX Technologies provides PCMC with an exciting opportunity to build a stronger, more sustainable global tissue packaging organisation.

"We look forward to working alongside STAX's team members."

Futura announces partnership with Plusline which will "develop game-changer" concepts

Futura has announced a technical partnership with Plusline, a Bologna-based company offering packaging systems.

Piero Ceccon, chief executive of Futura, said: "This technical partnership aims to develop game-changer concepts for production processes in line with our strategy and positioning.

"Thanks to our joint design efforts, we will present "Together" - the new solution to convert logs into shelf-ready packs."

He added that the integrated system can be installed downstream of any existing or new converting rewinder line, opening opportunities both for setting up new plants and for making existing lines more efficient.

Vittorio Gerri, chief executive of Plusline, said: "Our objectives are to develop cutting-edge technology projects and to trial innovations with the potential of being evolutionary for the sector."

PAPER CONVERTING MACHINE COMPANY (PCMC) HAS INCREASED ITS OFFERING IN THE TISSUE PACKAGING SECTOR AFTER ACQUIRING SERBIAN-BASED STAX TECHNOLOGIES. THE MOVE ADDS RECIPROCATING FLOW TECHNOLOGY TO PCMC'S TISSUE PACKAGING PRODUCT LINE OFFERING.



"This partnership allows our company to close a gap in our product offer," Oswaldo Cruz Jnr, chief executive of BA Tissue at Körber and Fabio Perini

Fabio Perini completes AfH packaging division with DM Pack partnership

Fabio Perini has boosted its AfH packaging business after announcing a partnership with DM Pack.

DM Pack is an Italian-based company specialised in designing and producing machinery and systems for the packaging industry.

The move will complete Fabio Perini's portfolio in the area of AfH packaging enabling it to offer packaging machinery for the consumer and the AfH sectors.

Oswaldo Cruz Jnr, chief executive of BA Tissue at Körber and Fabio Perini, said: "This partnership allows our company to close a gap in our product offer, by stepping into the industrial packaging sector, where we hadn't entered yet."

"DM Pack is a dynamic Italian business with cutting edge products. It operates in various packaging sectors – food to cosmetics to tissue – and Fabio Perini will benefit from its 360° expertise."

"With this new cooperation, our company aims at making a substantial step forward in the AfH market, deploying complete production lines both for AfH converting and packaging".

The machinery will be supplied under Fabio Perini's Casmatic brand.

Fabio Perini targets AfH market with Proxima S6 launch

Fabio Perini has launched the Proxima S6, a rewinder the company said is designed "to guarantee excellent performances and quality for every type of AfH product".

"THIS PARTNERSHIP ALLOWS OUR COMPANY TO CLOSE A GAP IN OUR PRODUCT OFFER, BY STEPPING INTO THE INDUSTRIAL PACKAGING SECTOR, WHERE WE HADN'T ENTERED YET. DM PACK IS A DYNAMIC ITALIAN BUSINESS WITH CUTTING EDGE PRODUCTS. IT OPERATES IN VARIOUS PACKAGING SECTORS – FOOD TO COSMETICS TO TISSUE – AND FABIO PERINI WILL BENEFIT FROM ITS 360° EXPERTISE. WITH THIS NEW COOPERATION, OUR COMPANY AIMS AT MAKING A SUBSTANTIAL STEP FORWARD IN THE AFH MARKET, DEPLOYING COMPLETE PRODUCTION LINES BOTH FOR AFH CONVERTING AND PACKAGING." OSWALDO CRUZ JNR, CHIEF EXECUTIVE OF BA TISSUE AT KÖRBER AND FABIO PERINI

According to the supplier, the line is based on the Sincro Winding System and can reach a speed of 600m/min while reducing product changeover times, since core diameter, roll diameter and length and perforation pitch can be adjusted directly from the control panel.

Stefano Palazzesi, marketing product manager, said: "It is estimated that over 21m tonnes of tissue products - almost one third of the market – are destined to AfH products, with global demand driven by Northern America and Europe but growing very rapidly in the Asia-Pacific countries."

"Products designed for this sector have such totally different features that they require specifically designed lines to minimise, for instance, continuous format adjustments."

"Proxima S6 allows maximum flexibility in logs handling (with diameters from 90 to

350 mm), thanks to the quick change of core diameter and perforation pitch by the HMI panel, and to a double perforation assembly with four and six blades."

He added that independent servomotors and drives make machinery use and maintenance easy, while state-of-the-art technologies allow noise reduction and energy savings.

Voith to acquire BTG for €319m; expands competitive position as full-line supplier

Voith has strengthened its position as a full-line supplier after signing an agreement with Spectris to acquire BTG.

The €319m acquisition of BTG - a multinational provider of integrated, highly specialised process solutions for the global pulp and paper industry - is expected to close late in the fourth quarter of 2019. The closing is subject regulatory approvals.

Toralf Haag, Voith Group president and chief executive, said: "BTG and Voith together have 250 years of technological experience in the global paper industry.

"This strategic step will bring many advantages for the entire industry. With BTG, we found an ideal match to complement our portfolio and get the chance to add a high-performing company with widely recognised expertise in the pulp and paper market.

"This helps us to expand our competitive position as a full-line supplier for the paper industry in the areas of consumables, instruments, services and software."

BTG offers optimised and customised solutions for a range of applications, mainly in the areas of packaging, graphic papers and tissue.

Rob Crossman, BTG chief executive, said: "We are excited about this opportunity. Voith is a well respected player in the paper industry and our offering is highly complementary to theirs.

"As part of the Voith Group, we will be able to offer our employees and our customers more opportunities, supporting BTG growth and allowing us to realise our full potential."

Northwood Paper boosts recycled paper capacity with acquisitions in Spain and UK

Northwood Paper, Tissue & Hygiene has acquired Spanish paper producer Dicepa Papelera and the converting assets of Manipa in Madrid.

The UK-based business also announced the completed acquisition of the trade and assets of the whole Sidcot Group, UK, comprising of the recycled tissue mill at Chesterfield and the converting operations of Matryx, Techcel and Negociar.

The company said the moves bring additional recycled paper production and further increases the security supply for the converting papers needed by the Northwood Companies, as well as giving the wider Northwood Group fresh access to the markets in Spain and mainland Europe.

At Dicepa Papelera's paper mill in Enate, additional opportunities for expanding its product portfolio will be pursued.

The Manipa operations will also be expanded and be able to offer a wider range of products from the finished product portfolio of the Northwood Companies.

Paul Fecher, Northwood chairman, said: "This strategic move at this time of uncertainty underlines the importance of following our long-term goals and for the business to proceed on its growth plans.

"In spite of challenges of the Brexit process, our sector is interdependent regardless of borders."

Northwood has been a major client and UK agent for Dicepa for over 15 years.

On completion of legal formalities, which are anticipated to be completed within 30 days, the businesses in Spain will operate under the names of: Northwood Dicepa for the activities in Enate, Huesca, and Northwood Manipa for the activities in Alcala, Madrid.

Juan Mor will be general manager of the above Iberian businesses and the resources of the Northwood companies in all respect will now be available to the new business in Iberia.

The shareholders of Northwood - Paul, Marc and Adam Fecher, and Paul King, will be directors and board members of the above companies.

In the UK, Paul Fecher said the acquisition of the Sidcot Group brings additional recycled tissue production and converting capacity to the Northwood production platform.

The shareholders said they welcome the directors, managers and staff based in Oldham and Chesterfield into the Northwood Group.

Fecher added: "We look forward to being able to offer our new colleagues in Oldham and Chesterfield a bright and secure future as we further develop our vision of making Northwood the supplier of choice to the paper hygiene sector.

"The integration of Chesterfield with the

recycled tissue mills in Disley and Lancaster, as well as the recently acquired paper mill in Enate, Spain, brings at this time of Brexit turmoil the important benefit of security of supply to our vertically integrated business model."

The converting lines in Oldham will complement the company's existing converting plants in Telford, Penygroes, Bromsgrove, Ilkeston, Lancaster, Birmingham and Madrid.

All personnel based in Oldham will transfer over to the Northwood Hygiene Group and the Chesterfield personnel and the business will start operating as Northwood Tissue (Chesterfield).

All day-to-day contacts will remain unchanged.

Sofidel commits to eradicating disposable plastics in its workplace

Sofidel has said it will abandon its use of disposable plastic items in its workplaces.

The decision included its Italian companies as of 1 July and will be extended over the coming months to all group companies across Europe and the US.

In Italian offices and production sites all disposable plastic bottles, glasses, plates and cutlery have been eliminated, replaced with more sustainable materials or ones with a more consolidated recycling system such as returnable glass bottles, aluminium cans, wood pulp plates and glasses, and wooden cutlery.

This protocol will be extended over the coming months to all group companies in the 13 countries across which Sofidel operates in Europe and the US.

The company said that the decision to eliminate disposable plastic in the work environments comes just a few weeks after it announced that it will halve use of conventional plastic in its production by 2030.

This will be achieved with the introduction of new paper packaging, already present or due to arrive on European distribution shelves, the progressive use, on some markets, of recycled plastics or bioplastics, and a general reduction in the thickness of the plastic film used in the production process (launched some years ago).

The commitment begins with the Sofidel brands (including Regina, Cosynel, Nalys, Le Trèfle, Sopalin and KittenSoft).

To date, Sofidel has reduced direct emissions of CO₂ into the atmosphere by 18.3% (reduction in carbon intensity, 2009-2018).

NORTHWOOD PAPER, TISSUE & HYGIENE HAS ACQUIRED SPANISH PAPER PRODUCER DICEPA PAPELERA AND THE CONVERTING ASSETS OF MANIPA IN MADRID. THE UK-BASED BUSINESS ALSO ANNOUNCED THE COMPLETED ACQUISITION OF THE TRADE AND ASSETS OF THE WHOLE SIDCOT GROUP, UK, COMPRISING OF THE RECYCLED TISSUE MILL AT CHESTERFIELD AND THE CONVERTING OPERATIONS OF MATRYX, TECHCEL AND NEGOCIAR.

AIRMILL, A REVOLUTIONARY EMBOSSING TECHNOLOGY

THE HIGHEST QUALITY OF TISSUE ROLLS WHILE SAVING ON RESOURCES

Gambini's **Flex** Converting Lines provide the capability to obtain results never before achieved in converting. The unique and revolutionary embossing system, resulting from the combined use of **AirMill** technology with the **TouchMax** quick-change embosser, gives customers the capability to produce tissue rolls with remarkable benefits compared to standard products in the market. **AirMill** technology adds limitless advantages to the converting process in terms of efficiency and flexibility while creating benefits and new opportunities even for the paper mill. Come and test the potential of **AirMill** technology on our **G4U** Pilot Line at the **TissueHub**, Gambini's new Technology Development Center. Book your trials at marketing@gambinispaspa.it

To achieve this result, the company invested €100m during 2009 – 2018 in cogeneration plants and energy production from renewable sources (photovoltaic and hydroelectric), biomass power plants and energy efficiency.

Sofidel also limits its use of water within production processes (7.1 l/kg against a sector benchmark of 15–25 l/kg) and sources 100% of pulp certified by independent third parties with forest certification schemes (FSC, FSC Controlled Wood, SFI, PEFC).

Andritz acquires Kempul

Andritz has acquired Swedish company Kempul, a specialist provider of process technologies for the chemical pulping industry.

The company designs and markets technologies used in chemical pulping, including pulp washing, oxygen delignification and bleaching technologies.

The acquisition includes all of Kempul's intellectual property rights, technical expertise, tools, systems and inventory.

The company supplies process solutions, equipment, upgrades, parts and services that Andritz said complements its existing offering for pulp producers. Located in Karlstad, Sweden, the organisation will be fully integrated.

Recard announces management changes

Recard has announced that Mauro Michelini exited the company on 31 July.

Doctor of engineering Riccardo Lorenzo Campo has joined the company as managing director.

On 1 August 2019, doctor of engineering Alberto Tomelleri joined Recard as commercial and marketing director.

CANADA

Cascades delivers "record quarterly sales": Orchids Paper acquisition provides "compelling optimisation opportunities"

Cascades has said all segments executed well in its second quarter results, with its tissue results supported by favourable input costs and selling prices. For the three-month period ended 30 June 2019, the company reported a 4% sales increase to \$1,275m compared to \$1,230m in Q1 2019. It was an increase of 8% compared to \$1,180m in Q2 2018. Specifically, tissue sales increased by \$34m - or 10% - reflecting a higher average selling price, a more favourable sales mix and exchange



"The purchase of Orchids Paper Products provides compelling optimisation opportunities for our tissue platform," Mario Plourde, Cascades president and chief executive

rate, partially offset by slightly lower volume following the previously announced closure of two paper machines in Ontario.

Operating income was \$82m, up 14% compared to \$72m in Q1 2019 and up 12% from \$73m in Q2 2018. Mario Plourde, president and chief executive, said: "Cascades delivered record quarterly sales and adjusted OIBD that were in line with expectations in the second quarter.

"All our segments executed well. Tissue results were supported by favourable input costs and selling prices and better operational performance, notably at the St. Helens mill in Oregon.

"Containerboard Packaging performance reflected lower OCC prices and good operational flexibility within a context of softer demand and pricing pressure, while European Boxboard and Specialty Products results benefited from recent business acquisitions."

Following the announcement of the acquisition of substantially all of the Orchids Paper Products assets in early July, he added: "This move provides compelling optimisation opportunities for our tissue platform while reinforcing the operational foundation of this segment's US consumer product business.

"Furthermore, the addition of these assets accelerates our ongoing tissue modernisation plan, is aligned with our efforts to enhance the quality of the products we manufacture, and reinforces our initiatives to support the growth of our customers and the segment."

Plourde added that the company's tissue performance was expected to continue its positive trend in the third quarter.

Atlantic Packaging Products announces sale of assets for napkin and tissue manufacturing

Atlantic Packaging Products has announced it is selling off the site's machinery assets.

At the time of going to print, the Whitby-based company which provided sustainable packaging solutions and co-packing services across North America.

Infinity Asset Solutions & Can-Am Machinery are auctioning off surplus equipment, which is for the manufacture of napkins and tissues and include a Voith-supplied 104" tissue machine with a Voith Due Former-Crescent type wet end, and a Voith 100 TPD de-inking plant complete with process components.

The Voith de-inking plant has an annual capacity of 29,000 metric tonnes and is currently not in production at the site.

Atlantic Packaging Products has been in business since 1945 when it first opened its doors as a small converting plant.

Since that time it has become one of the largest and most respected companies focusing on the delivery of quality, sustainable packaging products to large and small customers alike.

In recent years Atlantic had repurposed its Whitby mill to manufacture 'Smartcor', the first high-performance, lightweight recycled paper in North America.

Significantly, its Scarborough plant was the first mill in Canada for decades to use 100% recycled containerboard.

Infinity Asset Solutions & Can-Am Machinery are auctioning off surplus equipment on 14 November.



Cartiera Confalone: the mill is said to represent the biggest tissue investment in the south of Italy in the last twenty years.

ITALY

Cartiera Confalone capacity boost 'biggest in 20 years' in southern Italy

Cartiera Confalone has invested in a new advanced production base in Montoro, Avellino.

The plant includes an automated warehouse and an AHEAD 2.2 tissue line supplied by Toscotec on a turnkey basis.

The supplier said the mill represents the biggest tissue investment in the south of Italy in the last twenty years.

Start-up is scheduled for the fourth quarter of 2020.

The new tissue line consists of one AHEAD 2.2 tissue machine equipped with TT NextPress, a second generation TT SYD and gas-fired hoods designed with numerous stages of energy recovery.

The sheet trim is 2.8m, the design speed is 2,200 m/min and it has a production capacity of over 35,000tpy.

The tissue line is dedicated to the production of toilet tissue, napkins and towels and it will process 100% pre-dried virgin pulp and converting broke.

The turnkey supply also includes the complete stock preparation, Toscotec's patented TT SAF (Short Approach Flow) ensuring a higher operation efficiency, the complete electrical and control system, including the DCS and the QCS and the dust and mist removal systems for the tissue machine.

The vacuum plant, an automatic vibration monitoring system for the tissue machine and the hall ventilation system will complete the supply.

The turnkey scope includes two newly designed OPTIMA 2200 slitter rewinders.

Gaetano Confalone, sole director of Cartiera Confalone, said: "This Toscotec line represents a key technological investment for our mill. We have been working with Toscotec for over 20 years, since the project

of our first tissue line.

"This line will be key to the future growth of our brand."

Cartiera Confalone has origins dating back to 1800, when a paper mill was opened in Maiori for the production of handmade paper.

It produced flattened and creped paper until it converted into tissue paper production in the 1970s.

It is a family-run business focusing on the production of toilet paper, kitchen roll, napkins and jumbo rolls of various width.

CHINA

Baoding Ruifeng Paper and Baosuo Enterprise Group boost capacity

Baoding Ruifeng Paper and Baosuo Enterprise Group have signed for two sets of BaoTuo-supplied tissue machines.

The BaoTuo Crescent Former tissue machines, model BC1300-2850, have a design speed of 1,300m/min, and the jumbo roll a width of 2.8m.

Baosuo Enterprise has previously provided two sets of BaoTuo paper machines to Baoding Ruifeng Paper.

The two new sets of machines will be put into production in the first half and the second half of 2020 respectively.

BAODING RUIFENG PAPER AND BAOSUO ENTERPRISE GROUP HAVE SIGNED FOR TWO SETS OF BAOTUO-SUPPLIED TISSUE MACHINES. THE BAOTUO CRESCENT FORMER TISSUE MACHINES, MODEL BC1300-2850, HAVE A DESIGN SPEED OF 1,300M/MIN, AND THE JUMBO ROLL A WIDTH OF 2.8M.



Modular manufacturing: a mock-up of Aowei Paper's investment

Aowei Paper boosts tissue production capacity

Chinese tissue manufacturer Aowei Paper has increased its tissue capacity after investing in a Baosuo Enterprise Group-supplied paper machine and converting line. The supply includes a BaoTuo BC1300-2850 Crescent-type paper machine, which the supplier said is known for its modular manufacturing, low consumption, high quality and intelligent operation.

It will produce 50,000tpy of household paper production and is scheduled to be officially put into operation in the first half of 2020.

Aowei Paper is located in Sanjiang Town, Xinhui District, Jiangmen City, Guangdong Province.

It is a Sino-foreign joint venture that integrates R&D, design, production and sales of professional household paper.

After starting with an annual output of

50,000 tonnes, the company will target the Pacific Coast region market which includes China, Japan, Australia and Southeast Asian countries.

INDONESIA

APP boosts capacity; contract includes the delivery of two rebuilds

Asia Pulp & Paper (APP) has invested in two rebuilds at its Sinar Mas mill. Supplied by PMP, the contract includes the delivery of two rebuilds for the press and dryer section the Pindo Deli mill. The scope includes the supply of press section rebuild with new Intelli-Nip Press and Intelli-Nip Module 1500. The scope of supply for both projects also includes design, on site transportation and services. As part of the contract, PMP will also be delivering new core items for the dryer section rebuild.

COSTA RICA

K-C invests US\$40m to boost Central American presence

Kimberly-Clark (K-C) has announced significant investment plan at its Coris Mill in Costa Rica. The expansion programme includes more than US\$40m investment in the mill and the creation of jobs at its Global Business Services centre.

K-C Costa Rica employs over 1,500 collaborators who produce over five million products daily to supply the domestic and regional markets. The company said the investment will bring cutting-edge technology to its mill to support the increased production of its baby and child-care and feminine care businesses and improve expansion at its national headquarters and Global Business Centre.

The investment comes as K-C is increasing production capacity for domestic consumption and exports. The company supplies Costa Rica with a daily production of over three million diapers and two and a half million sanitary napkins. It also produces five million products daily to supply Panama, Dominican Republic, and Puerto Rico.

ASIA PULP & PAPER (APP) HAS INVESTED IN TWO REBUILDS AT ITS SINAR MAS MILL. SUPPLIED BY PMP, THE CONTRACT INCLUDES THE DELIVERY OF TWO REBUILDS FOR THE PRESS AND DRYER SECTION THE PINDO DELI MILL. THE SCOPE INCLUDES THE SUPPLY OF PRESS SECTION REBUILD WITH NEW INTELLI-NIP PRESS AND INTELLI-NIP MODULE 1500.



TISSUE WORLD



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TISSUE WORLD



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TISSUE WORLD



10 - 12 June 2020
Tissue World Bangkok
BITEC
Bangkok, Thailand

ASIAN PAPER



10 - 12 June 2020
Asian Paper Bangkok
BITEC
Bangkok, Thailand

Built on 26 years of history, Tissue World covers the entire tissue value chain, from raw material suppliers, finished product manufacturers, jumbo roll makers, converters, traders to paper machinery makers, packaging equipment suppliers and many more. Tissue World trade shows and conferences currently take place across 5 cities: São Paulo, Düsseldorf, Miami, Bangkok and Istanbul.

Tissue World is also the publisher of Tissue World magazine, the independent news provider for the global tissue business.

BRAZIL

CMPC expands operations with acquisition of SEPAC; move means subsidiary Softys becomes Brazil's largest tissue manufacturer

CMPC subsidiary Softys has agreed to acquire family-owned tissue manufacturer SEPAC, a move it said will consolidate Softys as the largest tissue producer in Brazil.

SEPAC was established 45 years ago and has leading brands in the tissue paper segment including Duetto and Paloma.

It has a tissue mill in the Paraná state with an annual capacity of 135,000tpy of tissue paper, with six paper machines and 17 conversion lines.

In addition, it has one diaper conversion line with a capacity of 175m units per year.

Annual sales in 2019 are expected to be around US\$200m.

Softys manufactures tissue paper and personal care products and the move consolidates Chilean pulp and paper company CMPC's presence in Brazil.

CMPC chief executive Francisco Ruiz-Tagle said: "This is a very significant operation, which is in line with our objective of growing in markets with high development potential in the tissue business, such as Brazil."

Softys chief executive Gonzalo Darraidou added: "SEPAC is an excellent complement to the current operations of Softys Brazil, considering, as an example, their important presence in the south of the country and their diversified client portfolio."

The company added that the merger will

CMPC SUBSIDIARY SOFTYS HAS AGREED TO ACQUIRE FAMILY-OWNED TISSUE MANUFACTURER SEPAC, A MOVE IT SAID WILL CONSOLIDATE SOFTYS AS THE LARGEST TISSUE PRODUCER IN BRAZIL. SEPAC WAS ESTABLISHED 45 YEARS AGO AND HAS LEADING BRANDS IN THE TISSUE PAPER SEGMENT INCLUDING DUETTO AND PALOMA.

The acquisition of SEPAC's industrial operations and the commercial brands implies an amount of BRL1,312m and is subject to the approval of the antitrust authorities in Brazil.

SWEDEN

Klippans Bruk boosts coloured and white, high-quality tissue capacity with investment

Klippans Bruk has started up its Recard-supplied PM11.

This new machine will add an annual capacity of 30,000tpy of coloured and white, high-quality tissue to the market.

Recard's supply is based in a turn key project and includes a tissue machine Crescent Former with a maximum operating speed of 1.700mpm, trim at reel by 3.200mm and with a gross production capacity of 110tpd.

Auxiliaries systems serving the machine are duo system hood, steam and condensate system, vacuum system, mist removal system and dust suction system.

The scope of supply includes a stock

KLIPPANS BRUK HAS STARTED UP ITS RECARD-SUPPLIED PM11. THIS NEW MACHINE WILL ADD AN ANNUAL CAPACITY OF 30,000TPY OF COLOURED AND WHITE, HIGH-QUALITY TISSUE TO THE MARKET. RECARD'S SUPPLY IS BASED IN A TURN KEY PROJECT AND INCLUDES A TISSUE MACHINE CRESCENT FORMER WITH A MAXIMUM OPERATING SPEED OF 1.700MPM

consolidate Softys as the largest tissue producer in Brazil with SEPAC's presence in the south of Brazil, which complements the current presence of Softys in the central states.

Softys has been present in the Brazilian market since 2009 and has industrial operations in the São Paulo state.

It currently has an annual capacity of 145,000tpy of tissue paper that will rise to 280,000tpy after the merger with SEPAC.

preparation system for 100% pre-dried virgin pulp, broke line, approach flow system, fibre recovery system and water distribution.

Klippans Bruk began papermaking in 1573 when renowned astronomer Tycho Brahe's uncle started producing paper near the monastery at Herrevadskloster.

Tissue paper production for napkins started at the site in 1962.

FRANCE

Global Hygiène boosts capacity

Global Hygiène has signed for an iDEAL 1800S tissue machine.

Supplied by A.Celli Paper, the line has a 2.8m format and an operating speed of 1,800mpm. The turn-key project also includes an E-WIND T100 rewinder and a R-WAY roll-handling system.

The Yankee supplied has a diameter of 15'.

The machinery will be shipped to the company's headquarters in Charavines, south-eastern France.

ALGERIA

Africaine Paper Mills starts up first tissue line

Africaine Paper Mills (APM) has moved into the tissue market after starting up its first tissue machine.

The Andritz-supplied PrimeLineCOMPACT line has a design speed of 2,100m/min and a working width of 2.85m.

It produces tissue for high-quality facial wipes as well as toilet and towel paper grades.

The machine is equipped with the supplier's latest shoe press technology PrimePress XT Evo.

Ziad Haffar, general manager, APM, said: "It is the first tissue machine for APM, and we are proud to announce the first paper on reel.

"For us, good paper quality combined with energy-efficiency is of utmost importance.

"The combination of a Steel Yankee and a shoe press enables efficient drying with substantial energy savings."

APM is a paper manufacturing company founded by people with a long experience in the paper making industry.

Its expansion plans include paper mills in several countries belonging to the Middle East & North Africa region.

SPAIN'S TISSUE BUSINESS WEATHERS ECONOMIC CHALLENGES BUT FACES HEADWINDS FROM DECLINING POPULATION

Spain's tissue business has been shaped by the economic challenges the country has faced since 2007. The great worldwide recession that started 12 years ago disproportionately affected Spain's economy. By 2018, the country had recovered lost GDP but only partially returned to unemployment levels seen before the downturn. Figure 1 shows the changes in real GDP as a percent in orange bars compared to the sum of household final consumption expenditures in blue. This is important to note because it indicates consumer spending available for tissue. Total household expenditures in 2018 have just about recovered to the 2007 level.

Figure 2 pairs the unemployment rate and the consumer price index over the same economic downturn and recovery. The unemployment rate shown as orange bars has not entirely recovered to 2007 levels. Unfortunately, the consumer price index has continued to advance during this period. This economic difficulty also reduced the per capita tissue consumption per person, which dropped from about 17.5 kg per person in 2007 to approximately 15.5 kg per person in 2010. Spanish tissue consumption has recovered recently to the pre-downturn demand levels.

After the downturn started, Spain also experienced changes in population, with numbers flattening to slightly decreasing,

as shown in Figure 3. This reflects the very low Spanish birthrate and emigration to other European Union countries as people look for work.

Figure 3 doesn't tell the whole story, however. The United Nations population division forecasts that Spain's will decrease by 9.4m or about 24% by 2050. This follows the trend of low fertility and aging populations seen in most developed countries, but Spain is expected to see the most significant impact. Whether this extreme decrease will come to pass cannot be proven at this point. Anyone who has forecasted future school enrollment or even baby diaper demand for children not yet born understands this frustration. Immigration is another politically sensitive subject in developed countries, but again this could change over the next 30 years. The key takeaway is that Spain is at high risk for a significant decline in consumers of tissue products.

Tissue production characteristics

Spain's tissue production capacity was carefully managed during the economic downturn and recovery. The cumulative average growth rate for domestic tissue capacity was 0.57%. Adding the announced changes through 2021 results in a cumulative annual growth rate of 0.52%. Figure 4 shows the changes in the number



Bruce Janda
Senior consultant, Fisher International

of Spanish tissue lines over this period. This indicates that the country has taken out smaller machines and replaced them with several larger machines, all while keeping capacity flat in order to slow growth.

Spain's tissue imports over the recent periods are shown in Figure 5. The short bar shown in the year 2019 represents data through the second quarter only. Tissue imports represent less than 10% of total tissue consumption. These appear to have decreased since 2008 and have been relatively level since. Spain's tissue exports are about four times lower than imports. Figure 6 suggests that exports have continued to drop off with time.

A quick review of the country's tissue trading partners around the world shows that Belgium, France, Germany, Italy,

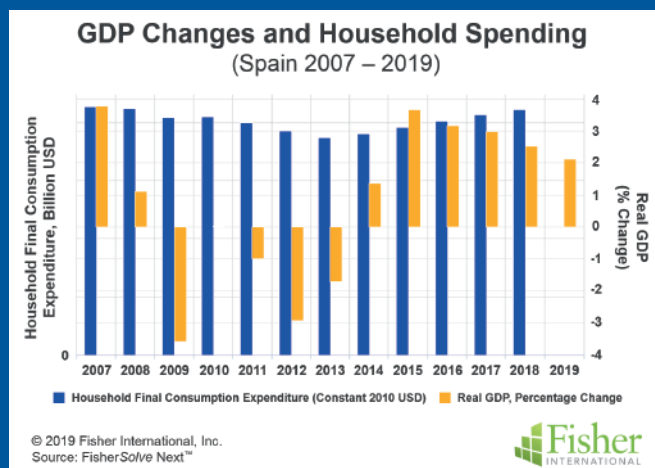


Figure 1

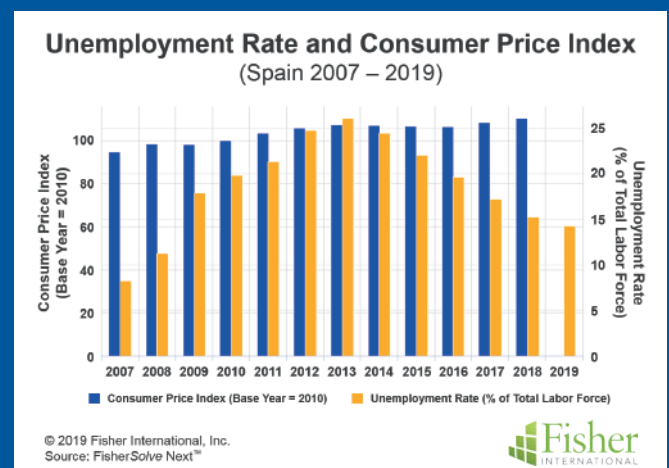


Figure 2

Morocco, the Netherlands, and Portugal are the key tissue trading partners accounting for almost all of the trade volume. (Later in this article, these countries will be used as a comparison set to establish the vitality of Spain's tissue manufacturing capacity.)

Figure 7 describes Spain's tissue production by product format and furnish employed. The Spanish market is overwhelmingly focused on consumer or At-Home tissue products such as bath, towel, napkin, and facial. These consumer products are overwhelmingly made from imported kraft pulp. The commercial - or AfH - business has more toweling used for washroom hand dry and secondary bath. These products are primarily produced from recycled fibre.

Figure 8 shows a breakdown of the source of fibre for these products. Almost half of the pulp is eucalyptus, with a combination of southern and northern pulps. This suggests that Spain is targeting high softness consumer bath and facial products. Papers represent the recovered fibre from recycled papers that primarily go into commercial products. At 19%, this indicates that Spain is highly dependent on the imported virgin pulp for its tissue business.

Spain does have some advanced tissue

technology machines for producing structured tissue products, and Figure 9 shows that this is deployed for consumer bath production only.

The relative quality of its tissue machines is shown in Figure 10. Spain and Portugal have the newest machines on average and the highest tonnes per day per unit of machine trim width. Spain's tissue producers are in the right place.

Figure 11 shows that Spain's tissue production costs are moderate compared to Italy, Germany, or France when expressed on a per tonne basis. Spain appears to have significantly lower labour costs. It also has lower carbon emissions per tonne as coal is not a major energy source. Only France with its nuclear power and resultant low electrical energy carbon emissions does better, as shown in Figure 12.

The country's domestic tissue production capacity is in solid shape. Capacity additions have been measured to replace older and higher cost tissue machines without oversupplying the market. Spain is dependent on pulp imports, but it has maintained a good cost position relative to its peers. Carbon emissions are also in line with peers.

This analysis shows that Spain's tissue business is in balance with its economy, but its recovery from the severe economic downturn has been slower than most of its peers in Europe. Tissue consumption has recovered, but the forecasted population decrease is troubling. The most important questions for the future include:

- Can Spain continue to maintain consumer purchasing power and, therefore, tissue demand with an older and smaller population?
- Could exports from other countries with lower-cost integrated virgin tissue mills displace some of Spain's tissue capacity?

This article presents a static summary of Spain's tissue industry today. Fibre prices, exchange rates, and environmental regulations will change, giving some participants advantages, but challenge others. Tissue companies will continue to change hands and perhaps consolidate; neighbouring countries may invest in tissue-making capacity, thus affecting Spain's imports and exports.

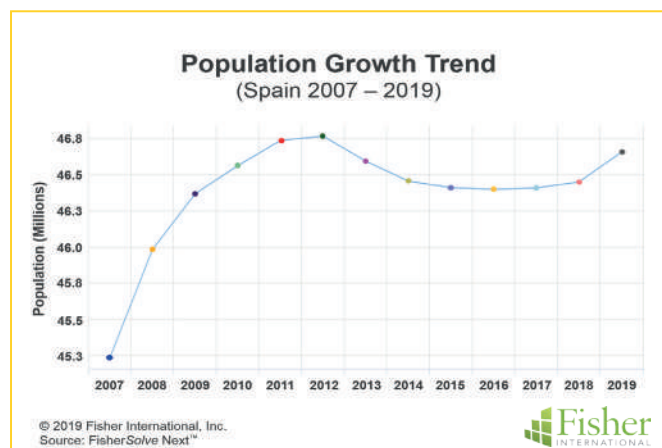


Figure 3

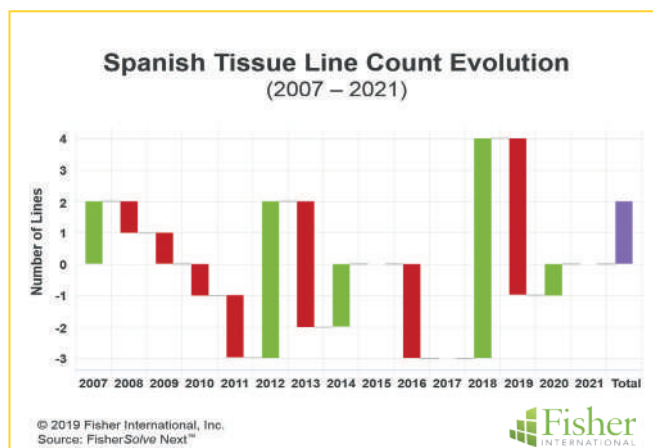


Figure 4

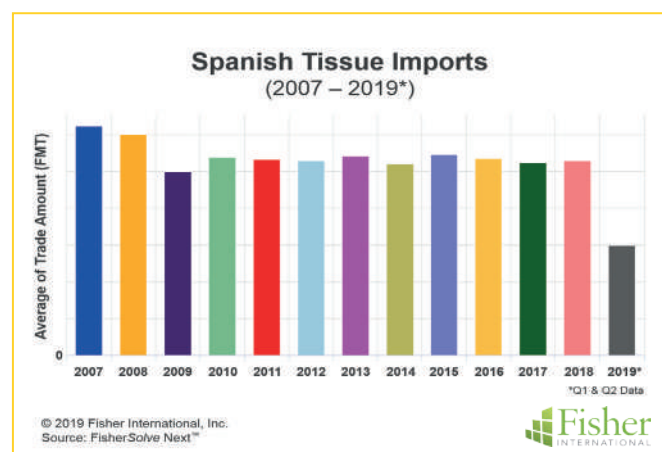


Figure 5



Figure 6

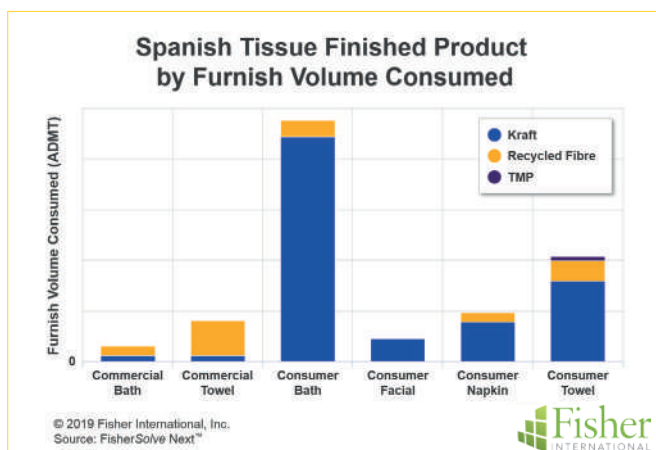


Figure 7

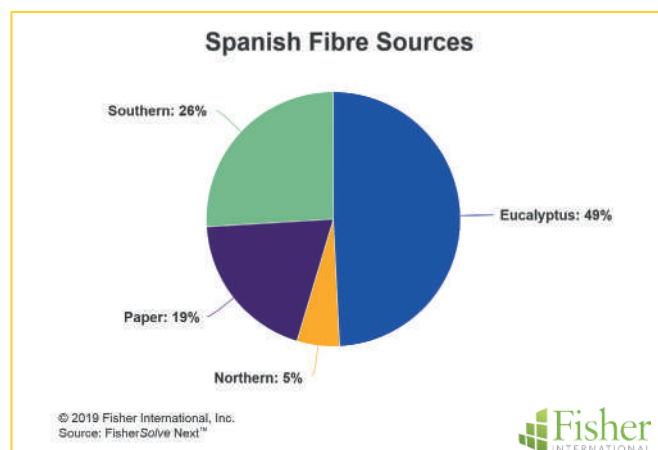


Figure 8

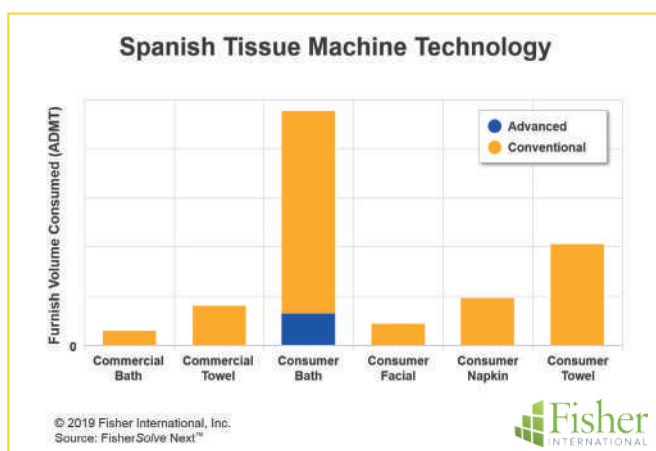


Figure 9

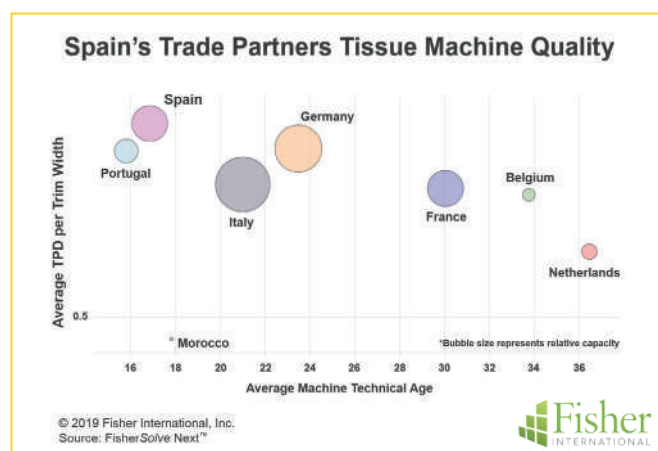


Figure 10

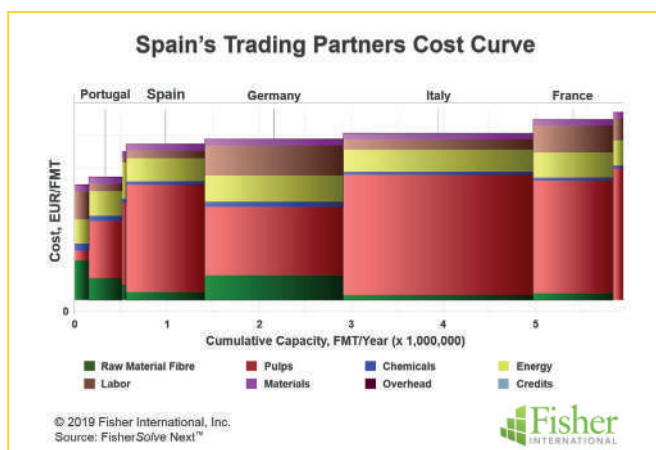


Figure 11

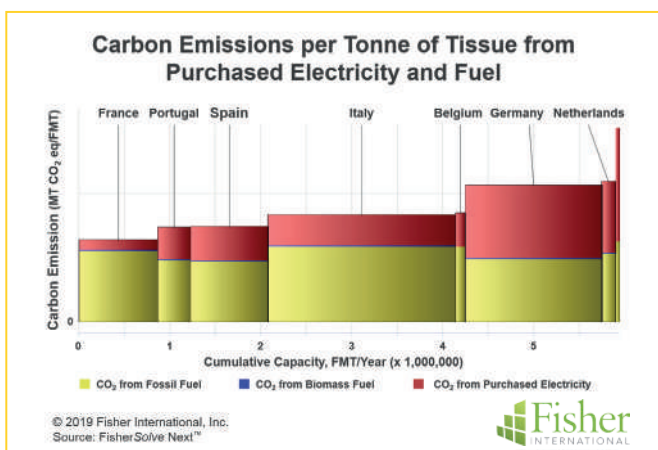


Figure 12

About Fisher International, Inc.

Fisher International, by virtue of its deep expertise in the pulp and paper industry, provides insights, intelligence, benchmarking, and modeling across myriad scenarios. By arming companies with the knowledge that will help them gain a better understanding of their strengths and help identify weaknesses, Fisher is helping businesses stave off challenges and better position themselves for long-term growth. For more information, visit www.fisheri.com, email info@fisheri.com or call +1 203.854.5390 (USA)

SPAIN: SATURATION, PREMIUMISATION, PRIVATE LABEL, SUSTAINABILITY – STRATEGIES FOR FUTURE GROWTH

In 2018, retail tissue sales in Spain recorded less than 1% growth in volume to reach 485,000 tonnes. Projections for the next five years through 2023 do not deviate far from the current reality, remaining at year-on-year growth rates below 1%.

There are numerous reasons behind slow volume growth in the Spanish market, chief among them being high levels of market saturation against slow population growth. At over 10kg per capita in retail tissue in 2018, Spain offers limited opportunities for organic volume growth and subsequently puts pressure on suppliers to innovate to support revenue growth.

Impact of macro-economic factors

Macro-economic factors play a fundamental role in the performance of retail tissue in a mature market. First and foremost, population changes are bound to have a strong impact on the demand of household essentials, and the population in the Iberian Peninsula shows no signs of strong rebound. In 2018, population in the country saw only a marginal increase,

while recording a continuing decline in birth rates. The next five years are not expected to provide much relief, with projected population growth at far below 1% year-on-year through 2023 and steadily falling birth rates.

With high levels of household penetration and slow population growth, Spain's estimated unmet potential stands at about 94,000 tonnes in incremental volume sales. It is important to note, however, that some of this unmet potential would be found among low-income households with limited budgets as well as households that seek to adjust their consumption patterns to be more eco-friendly, which often affects purchases and use of disposable tissue products.

In value terms, the country has an estimated unmet potential of USD473m, which can provide some room for growth in revenues via innovation and value-added products geared towards households with more disposable income. Furthermore, Spain's economy continued to strengthen in 2018, with gains in consumer spending that also benefitted from higher-than-expected



Marc Alonso
Research analyst,
Euromonitor International

real wage growth and an increase in employment. Improvements in employment have boosted both household incomes and consumer spending. Improved consumer sentiment also supported positive growth in value of retail tissue sales in 2018, at 2% to reach USD1.5bn. In part, the growth came as a result of price increases to offset high material costs and improve margins. Price increases, however, were also supported by the suppliers' activities to build up the value-added tissue segment.

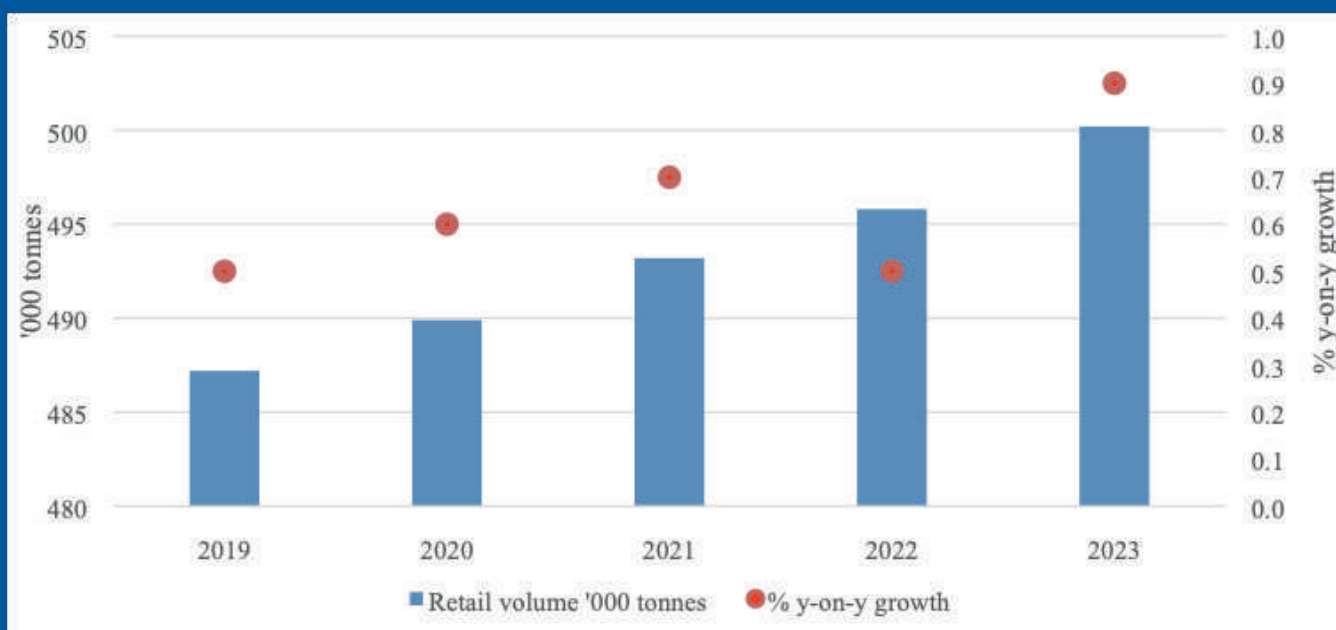
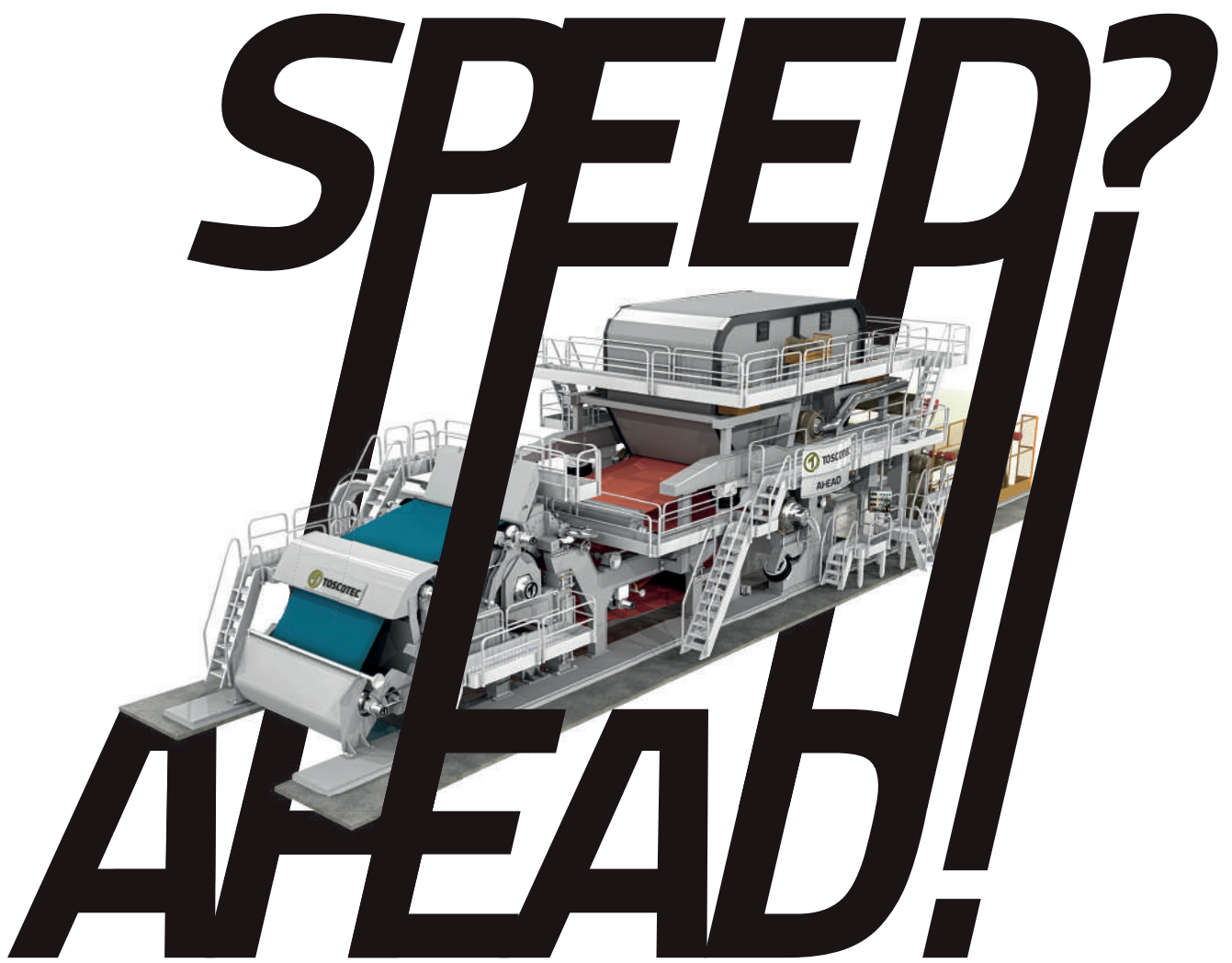


Table 1: Spain, retail tissue volume, '000 tonnes, y-on-y % growth, 2018-2023

Source: Euromonitor International



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Toscotec allows you to reach this goal with its **AHEAD Line**: the high-speed tissue machine range capable of attaining 2,200 mpm and producing high-quality tissue from virgin and recycled fiber with proven energy savings, maximum efficiency and reliability.

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YOUR NEEDS, OUR SOLUTIONS.

Retail Volume Sales '000 Tonnes, 2018-2013

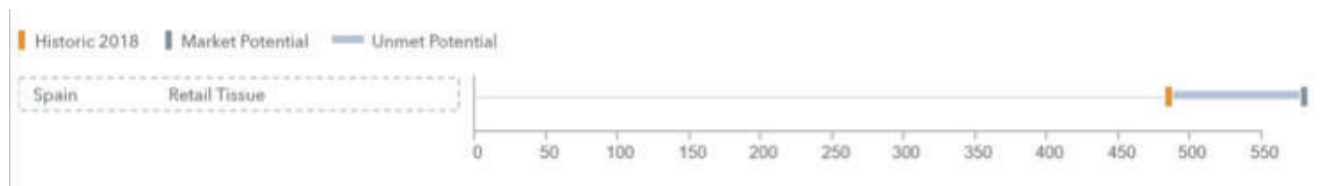


Table 2: Spain, retail tissue, unmet potential, '000 tonnes

Source: Euromonitor International

Premium vs private label: the battle intensifies

The recovery of the Spanish economy afforded some Spanish consumers more spending on higher quality premium tissue products, at higher price points. This trend has been encouraged by the manufacturers seeking to grow sales in a mature market.

However, it is important to note that private label products continue to have a strong hold on the market in Spain. In 2018, the share of private label in retail tissue sales stood at 72% in value terms, with Mercadona – the leading grocery retailer in the country – accounting for over a quarter of private label tissue sales.

Difficult economic conditions of a protracted downturn in previous years forced many consumers to search for more affordable tissue products. This behaviour has since been internalised by many consumers, making it very difficult for the brands to encourage a trade-up with the improvement in market conditions. In fact, Euromonitor Lifestyle surveys released in 2019 indicate that while 16% of Spanish consumers intend to decrease their spending on private label in the next 12 months (good news for the branded products), 73% of consumers will maintain their spending patterns and 11% plan to increase their spending on private label, thereby providing further platform for private label tissue and

adding to ongoing battles for consumer spending and trade-up.

Toilet paper is the largest product category and is certainly a battleground for consumer attention. The category is seen as a household essential and is very price sensitive, making it more difficult for branded products to compete with private label. On the other hand, premium toilet paper is seeing some competition coming from moist toilet wipes, which recorded positive volume and value trends in 2018 and expects to see healthier growth through 2023, compared to dry toilet paper.

Among the innovation trends are efforts to combine value-for-money and sustainability. An example is found in Sofidel's Regina "Dos en Uno", which replaced the cardboard tube in the centre of the roll with extra toilet paper. Sofidel previously launched similar products in other markets. This type of innovation seeks to address not only added value for consumers but also the ever-growing issue of sustainability. While sustainability might not yet be top of mind for many Spanish consumers at the moment, governmental and media attention on plastic and waste management are likely to also resonate with evolving trends in tissue consumption and a broader approach to sustainable consumption.

In other categories, paper towels and pocket handkerchiefs saw investment from

branded product manufacturers, including the introduction of new products and designs, which created added value and helped to combat better private label sales.

Shifts in local manufacturing dynamic

The difficulty of growth in a market as mature and saturated as the Spanish one, has seen manufacturers affected differently in 2018 as they attempt to remain profitable, whilst being further hindered by raised costs of raw materials. Manufacturers such as Essity have been forced to close down some of their production facilities, including a plant in Barcelona, as the company continues to seek cost efficiencies to combat challenging market conditions. On the other hand, Italian-based Lucart acquired a production plant in the north of the country to expand its presence in Spain, while Renova started the distribution of its new products after the renovation of its production plants in 2017 and achieved positive results in 2018.

Future outlook

It is not likely that Spain will see a drastic shift in organic growth and consumption, beyond current levels, unless there is a significant rise in birth rates and population. It will be increasingly important, therefore, for manufacturers to define strategies accordingly to position themselves better in the marketplace, from cost efficiencies to value-added tangible innovation across price segments to further assessment of opportunities in private label. Furthermore, with strong emphasis on cost efficiencies and ongoing consumer attention on sustainability, looking ahead through the prism of eco-management and respective consumer education through marketing and innovation can also help brands position themselves better in a tight and challenging competitive environment. Euromonitor Consumer Lifestyle survey released in 2019 indicated that 64% of Spanish consumers strongly agree/agree with the statement "I try to have a positive impact on the environment through my everyday actions", opening up opportunities to stand out from the "crowd" on commitment to sustainability.

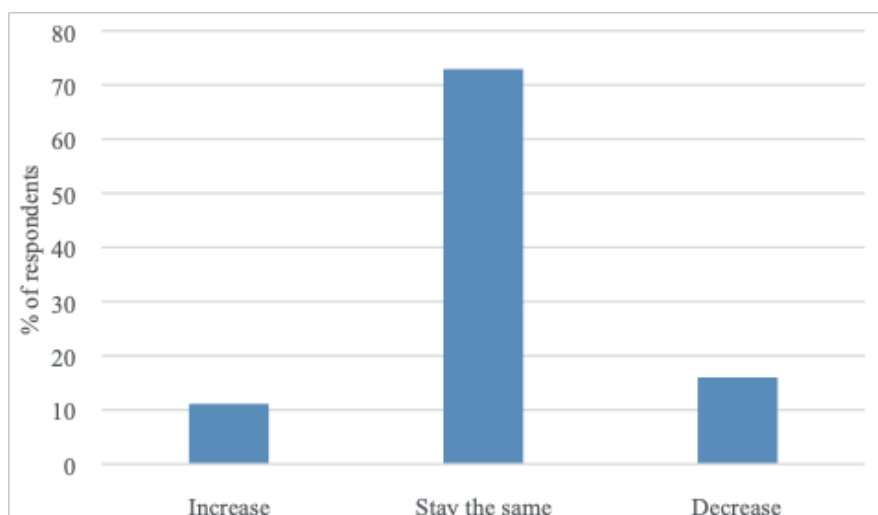


Table 3: Branded products vs private label retail tissue, % value share of sales, 2018
Source: Euromonitor International

LUCART GROUP: THE ITALIAN PLAYER AIMING TO BRING SUSTAINABILITY TO THE SPANISH TISSUE MARKET

Spanish subsidiary Lucart Tissue & Soap is starting to see a more seriously approach to the issue of sustainability in the Spanish market for the very first time. It is ready and poised to take advantage of that potential. By Helen Morris, Tissue World magazine senior editor

THE CITY IS A HUB FOR THE REGION'S AUTONOMOUS COMMUNITY, WITH ITS MODERNIST ARCHITECTURE, A SKYSCRAPER-FILLED DOWNTOWN AND A POWERFUL INDUSTRIAL PORT ON THE EDGE OF THE CANTABRIAN SEA. TOURISM IS PLENTIFUL

Revitalisation, the imparting of new life or vigour, restoring to an active or fresh condition, is evident everywhere in Bilbao, the vibrant Basque-Country city located in northern Spain, and a 30-minute drive from Lucart Group's Artziniega-based converting facility.

The city is a hub for the region's autonomous community, with its modernist architecture, a skyscraper-filled downtown and a powerful industrial port on the edge of the Cantabrian Sea.

Tourism is plentiful. Attractions such as the Guggenheim, the gleaming, curvy, titanium-clad art museum which was designed by Canadian Frank Gehry and

sparked an earlier push of revitalisation in the city when it opened in 1997, are as popular as ever.

Food (mainly pinchos, a small snack, and a local version of tapas) is everywhere; walk down any street and locals and tourists alike are sitting on curb-side bars in the afternoon sun enjoying delicate seafood and meat pinchos.

Just as impressive is the region's logistical structure. Driving south from Bilbao to the Lucart Tissue & Soap facility is a spectacle in itself; drivers travel across an incredibly efficient highway system built just 11 years ago, with fabulous views over the city, of the Guggenheim and of



Production efficiencies: the company aims to have all converting production under one roof



Start-up team: celebrating the start-up of PM13 in February 2018

the sea, which highway then takes them weaving along the many substantial and elegant bridges that go through or across the tops of the lush mountain ranges that lie on the outskirts of the city's border.

It is an impressive and modern feat of design engineering, easily connecting people to the city and landscape – and the tissue market to consumers.

As we get closer to Lucart's site, life slows down and we pass tiny villages, corn fields and lemon trees, until we finally arrive in Artziniega.

TWM is greeted by Spaniard and plant director Luciano Lopez, who is fairly new to the tissue industry having come on-board in 2018 following several years working in the glass sector, and Begoña Aretxabala, quality and environment manager, who has worked in the area for the last 25 years. They are both very welcoming, speak excellent English, and passionate and enthusiastic about the business and their market.

The site, along with two other plants in Aranguren and Guenes, marked the start of production in Spain for multinational, Italian-owned Lucart Group. The company acquired the assets from Spain's Grupo CEL Technologies & Systems (CEL) in 2017.

The crucial move expanded and strengthened the company's market position in the Iberian Peninsula as well as increasing its AfH presence in the region.

It also gave Lucart access to the tissue market in Portugal and southern France.

"The CEL Group had to initiate an administration process in the summer of 2017," Lopez says. "Lucart applied to acquire the production assets and we won the tender. The acquisition was then finalised on 31 January 2018 through a newly established company - Lucart Tissue & Soap."

The company's project for restarting the assets included an investment plan of more than €20m over the subsequent five years.

With the purchase, it acquired three production facilities in the Basque Country, designated for the production and conversion of tissue paper and the production of personal care soaps and detergents in the AfH market.

Two tissue machines at the Aranguren

site were restarted, supplied by Toscotec and Voith. They produce industrial rolls and have a capacity of 50,000tpy. Some 50% of that production is dedicated to virgin pulp and 50% to recycled paper, and there are also two de-inking lines, enabling Lucart to increase its production of high-quality recycled ecological tissue paper.

"In this period when we started production in Spain, it was a very interest range of assets to acquire, and the added-value that they brought to us," Lopez says. "Prior to the purchase, Lucart only had a presence in Spain from a commercial point of view with a distribution warehouse in Barcelona."

"So it was very interesting to have the possibility to develop the market in Spain, Portugal, and also the south of France."

The purchase also included converting lines in Guenes and Artziniega, and CEL's

"IN THIS PERIOD WHEN WE STARTED PRODUCTION IN SPAIN, IT WAS A VERY INTEREST RANGE OF ASSETS TO ACQUIRE, AND THE ADDED-VALUE THAT THEY BROUGHT TO US," LOPEZ SAYS. "PRIOR TO THE PURCHASE, LUCART ONLY HAD A PRESENCE IN SPAIN FROM A COMMERCIAL POINT OF VIEW WITH A DISTRIBUTION WAREHOUSE IN BARCELONA. SO IT WAS VERY INTERESTING TO HAVE THE POSSIBILITY TO DEVELOP THE MARKET IN SPAIN, PORTUGAL, AND ALSO THE SOUTH OF FRANCE."



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Above: Onsite with plant director Luciano Lopez and Begoña Aretxabala, quality and environment manager

soap production line at the Artziniega site.

"We currently have one ... and a half converting lines!" Lopez adds. "We have been moving our lines from the Guenes facility to here, so we are a plant that is under construction more or less at the moment. However, today was the start-up day, so now we have one toilet paper converting line, which we are doing the first trials on. So you came on a great day to see the facility!"

In parallel, the company has an additional new line for industrial rolls that it has also today started to assemble. "It marks the realisation of an almost two-year project to collate all our converting lines here.

It's a very nice project, and very challenging too. We wanted to remove all converting lines that were previously here, replace them, with toilet paper and industrial roll lines originally located

in Güeñes and also add a totally new industrial rolls line, everything done by February 2020.

Once the site is all set up and running, it will have a production capacity of 30,000tpy. Are there plans to increase that? "This last season has been very busy," Lopez adds. "With the design of the layout here, we purposefully left additional space for other lines."

He says the business covers two very distinct sectors at the site, business-to-business, and AfH: "At the moment we are focused only on the professional market. If we look at the paper mill, we have part of the production that we dedicated to B2B and part that is sent to our own converting that is then sent on."

The Spanish tissue market, he says, is not seeing an especially large increase or growth. Its strength is its maturity and stability: "In less than one year we

have increased our level of sales at an impressive rate. And this was also a very challenging product for the production guys as we had to significantly increase in a short period of time our machines." The two paper machines the company has are currently running at a continuous cycle to accommodate this, running 24 hours a day and seven days a week.

As for the potential to export out of Spain, for the moment the business is focussing on developing the local Spanish tissue markets. "After that, we will try to go deeper," Lopez says. "Once we see a real development in the level of sales, we will push out further. But for the moment, it's all Spain."

He has identified growth trends, and will implement the new lines with potential for additional lines, all in a plant prioritising production efficiency and organisation.

"Our main challenge has always been what we are already doing, to have success with the different deadlines which we now have, moving the industrial line over and then implement the new industrial rolls line."

All other challenges they face, such as pulp price increase and economic fluctuations, surround this project. For the pulp prices, Lopez says: "It seems that what happened last year was very unusual. We got the top-level prices, so this year is better than last and the trend now is to decrease.

ONCE THE SITE IS ALL SET UP AND RUNNING, IT WILL HAVE A PRODUCTION CAPACITY OF 30,000TPY. ARE THERE PLANS TO INCREASE THAT? "THIS LAST SEASON HAS BEEN VERY BUSY," LOPEZ ADDS. "WITH THE DESIGN OF THE LAYOUT HERE, WE PURPOSEFULLY LEFT ADDITIONAL SPACE FOR OTHER LINES."



On site in Artziniega: modernising the former CEL production sites enabled Lucart Group to develop its presence in the Spanish, Portuguese and south of France markets

There is also a continual need to have all converting production under one roof and be as efficient as possible from a productivity point of view: "This is a constant organisational challenge, because in order to move the lines in the next three months and keep the continuous cycle, it is a big challenge with regards to the new people we need to hire."

Sustainability was a key reason for Lucart Group's move into production in Spain, and 50% of the company's production on its two Aranguren paper machines is for recycled products. Is Lopez seeing more demand for recycled products from the Spanish end-user? "At the moment, I would say that, unfortunately,

no, it's not as popular in Spain as in other countries in Europe, but things are changing and we are working to lead the transition. If you go to a supermarket here in Spain and try to find recycled paper, you won't find it.

"From my point of view, this is something I don't know when exactly, but demand for these products will explode. And we will be ready when it does. We would even like to be productive in bringing these products to the market, changing people's habits and buying preferences and making people realise that this is something that is needed. There is a big problem in this country for this topic. At the moment, we haven't created the

right culture, and we want to encourage people to move in that direction."

He adds that when Lucart acquired CEL's assets, an important decision behind the move was that the company had a lot of potential for developing recycle paper products in Spain. "In four, five, six years, the market will change significantly in that direction," Lopez says.

"We sell to the big distributors of industrial and housekeeping articles, and they as well as our final customers, hospitals, hotels, schools, etc, they are all already starting to demand FSC- and PEFC-certified products.

"And it's also great for us to be able to offer added-value products such as with the soap production line, we want to offer a wide range of products under the sustainability/recycled range."

Is an increase in demand for recycled products likely to be linked to Spain's economic growth? "If you ask people in the street how the economy is doing, everyone will say that "it's horrible, it's a big crisis", " Lopez says. "But try and make a reservation

"OUR MAIN CHALLENGE HAS ALWAYS BEEN WHAT WE ARE ALREADY DOING, TO HAVE SUCCESS WITH THE DIFFERENT DEADLINES WHICH WE NOW HAVE, MOVING THE INDUSTRIAL LINE OVER AND THEN IMPLEMENT THE NEW INDUSTRIAL ROLLS LINE."



Product variety: final customers such as hospitals, hotels and schools, as well the big distributors of industrial and housekeeping articles are all starting to demand more FSC- and PEFC- certified products.

at a fancy restaurant in any city, and it's impossible. Likewise, visitors to tourist attractions such as Bilbao's Guggenheim, which has always brought a big number of tourists to the area, is still very popular. It is true that Spain suffered a big crisis during 2008 as well as in 2014 and 2015, but we are now in an average situation and in the last few years the economy is recovering little by little.

"We are not in the same situation as during that period, but equally we're not in the same situation as we were before it."

He adds that during the last year, the economic trend has been for growth. "It is stabilising. People are afraid of what is happening in 2020, with the global economy is tending to decrease, so there are concerns, also in terms of the political uncertainty we have in the country right now.

"But in terms of figures, there's nothing that says we're doing especially badly now. There's no figures saying that the economy decreased in the last year. Generally, we are having a ralentización, a "slowdown". You continue growing, but you're not growing at the same speed you were previously."

Looking forward to February 2020, all of Lucart's Spanish assets will be fully restored and rejuvenated, all construction and foundations will have been completed, and the company will have perfectly positioned itself to take hold of the tissue potential in Spain.

DURING THE LAST YEAR, THE ECONOMIC TREND HAS BEEN FOR GROWTH. "IT IS STABILISING. PEOPLE ARE AFRAID OF WHAT IS HAPPENING IN 2020, WHERE THE GLOBAL ECONOMY IS TENDING TO DECREASE, SO THERE ARE CONCERNS, ALSO IN TERMS OF THE POLITICAL UNCERTAINTY WE HAVE IN THE COUNTRY RIGHT NOW.



"For the first time, we are starting to see a more seriously approach to the issue of sustainability in the Spanish market," Francesco Pasquini, corporate sales and marketing director AfH, Lucart Group

Lucart Group was founded in 1953 by the Pasquini family in Lucca, Italy. The company now has 11 facilities in four European countries – Spain, France, Italy and Hungary. Since 2018, Lucart has been part of the CE100 network, the pre-competitive innovation programme designed by the Ellen Macarthur Foundation to give organisations the opportunity to develop new opportunities and achieve their circular economy goals as quickly as possible

Here, Francesco Pasquini, corporate sales and marketing director AfH, Lucart Group, talks to TWM about the company's decision to expand its presence in Europe by moving into the Spanish tissue market.

the market. Lucart aims to satisfy those needs and be a leader in sustainable solutions for the hygiene market, as we have already done successfully in other countries such as Italy and France."

TWM/1: Why did the Lucart Group move to Spain with the CEL acquisition in 2017?

"The Iberian market has always been a target market for Lucart, in fact we have operated a commercial subsidiary in Barcelona since the end of '90s. Recently, with the evolution of the market, pressure on the logistic costs and better service standards required by customers, we have felt the need to get closer to the market by starting producing our product directly in Spain. CEL has been a perfect target company for us, as they had great potential to produce very good level recycled paper, as well as pure pulp paper."

TWM/2: Why geographically was it an important acquisition for Lucart?

"This acquisition gave us the possibilities to efficiently serve the Spanish market, as well as Portugal and Western France, integrating our productions based in eastern France."

TWM/3: What key trends are you seeing in the Spanish tissue market?

"For the first time, we are starting to see a more seriously approach to the issue of sustainability in the Spanish market, as well as in other markets in southern Europe. Requests of environmentally-certified product and fibres is increasing and in particular we are seeing a great research of recycled products in

TWM/4: Does Lucart have plans to diversify its product offering in these markets, or will you continue to focus on AfH?

"In the short terms the focus is mainly in the AfH market. For the future, we will analyse the evolution of some macro trends, and we will decide accordingly."

TWM/5: What are your growth plans in these countries?

"In Spain, we already have an important paper production capacity in our paper mill in Aranguren. We are now focusing our attention on adding new modern converting capacity and rationalising our converting capacity in one single production site in Artziniega."

TWM/6: What value growth are you seeing in the Spanish tissue market?

"The AfH market is growing from 2 - 3% on an annual basis in the area. Private label plays an important role for consolidating relationship with the main distribution customers. However, the brands market is important to introduce innovations into the market. In our case, we see an impressive interest in Spain and Portugal for the innovative solutions of our Lucart Professional range."



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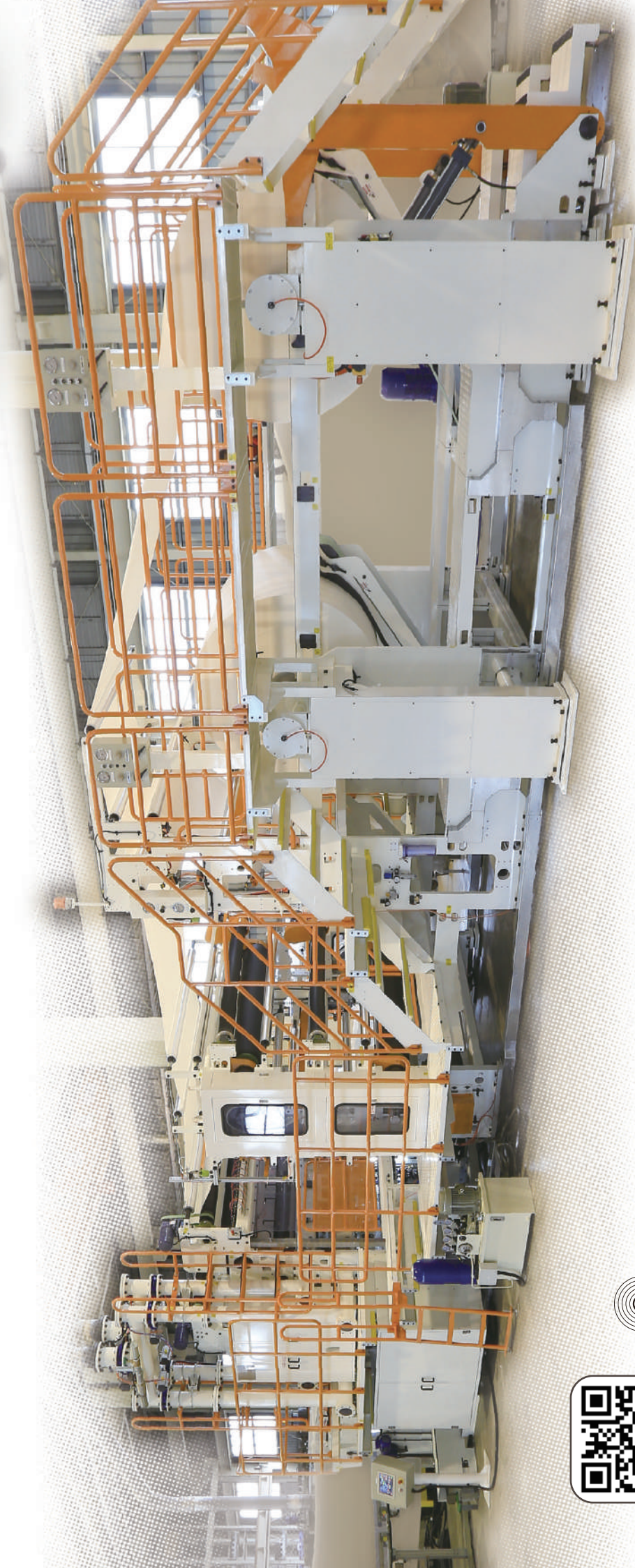
facial tissue and towel

TYPE SOFIA

Tissue Paper

SPECIFICATION

Design Speed	220M/Min or 15 cycles/min	Paper Width	Max. 3650mm
Operation Speed	180 M/Min. or 14 Cycles/Min.	Material	Tissue Paper 、 Hand Towel
Parent Roll Dia.	Max. Ø2500mm	Basis Weight	Tissue: 11-25gsm ; Towel: 33-40gsm
Unwind Stand	2, 4, 6, 8 (Up To 4 Ply)		



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ENVIRONMENT FIRST: “WE ARE IN AN AWAKENING IN TERMS OF RETHINKING CONSUMER TISSUE PRODUCTS.”

TWM first met Joan Vila – chief executive, L.C. Paper – at the company’s Besalú, Girona-based site in 2013. As 2019 draws to a close, we return to interview the environmental pioneer to get the latest on the company and the Spanish tissue market.

“2018 WAS A PARTICULARLY DIFFICULT YEAR FOR TISSUE PAPER PRODUCERS IN EUROPE AND PARTICULARLY IN SPAIN. THE HIGH PRICE OF PULP, TOGETHER WITH FIBRE SUPPLY DIFFICULTIES DURING THE SUMMER MONTHS, AND A NOTICEABLE INCREASE IN THE PRODUCTION CAPACITY OF THE IBERIAN PENINSULA WERE COMPLICATED BARRIERS.”

TWM/1: What’s the latest news at L.C. Paper?

“2018 was a particularly difficult year for tissue paper producers in Europe and particularly in Spain. The high price of pulp, together with fibre supply difficulties during the summer months, and a noticeable increase in the production capacity of the Iberian Peninsula were complicated barriers.

“This led us to develop the export market even further, incorporating new destinations in South America and the Middle East. We also started for the first time to migrate part of the factory’s production towards the consumer market

focusing on sustainable products, since we detected an increased interest in paper concepts focused on minimising environmental impact, something that we have done for decades now and which has intensified since we are a carbon-neutral company.

“Those new countries and markets allowed us to cope with the complexity of the Spanish tissue market without suffering.

“We have also been busy with the design and engineering process of a 5MW solar power plant (photovoltaic) which is awaiting the regulator approval and hopefully will be launched in late 2020 to early 2021.”



Export potential: L.C. Paper's Besalú, Girona-based site is incorporating new export destinations in South America and the Middle East.



Sustainability drive: the company said it is now the first European tissue manufacturer with carbon-neutral production lines.

TWM/2: What changes have you made at the site in the past few years in terms of environmental sustainability?

"Our plant has focused most of its efforts during recent years towards achieving zero emissions in manufacturing. For this purpose, the hood of PM2, supplied by Toscotec, was adapted to use only residual gases from the cogeneration, the thermocompressor was changed and a biomass boiler was installed for steam generation.

"In addition, the software of both paper machines was modified to calculate real-time CO² emissions during manufacturing. The result of these investments allowed us to recently break the barrier of 0kg CO²/t emissions in PM2 and 155kg CO²/t in the A.Celli-supplied PM3, a result that we will continue to improve in the upcoming months.

"We are now the first European tissue manufacturer with carbon-neutral production lines.

"It is important to differentiate those companies that decrease emissions due to innovations in energy sourcing and process engineering from other companies that simply compensate their emissions by paying third-party compensation programmes. It is a really complex challenge to reach zero emissions, since

"OUR PLANT HAS FOCUSED MOST OF ITS EFFORTS DURING RECENT YEARS TOWARDS ACHIEVING ZERO EMISSIONS IN MANUFACTURING. FOR THIS PURPOSE, THE HOOD OF PM2, SUPPLIED BY TOSCOTEC, WAS ADAPTED TO USE ONLY RESIDUAL GASES FROM THE COGENERATION, THE THERMOCOMPRESSOR WAS CHANGED AND A BIOMASS BOILER WAS INSTALLED FOR STEAM GENERATION."

it does not only imply rethinking how the company sources its energy and materials, but it also requires adapting the manufacturing processes, products, packaging... each operation of the company is strongly impacted by that cross-department goal.

"Apart from the energy field, our sustainable commitment has also gone through the design of new product concepts. Recently, for example, we have introduced a line of "nature" toilet products made of unbleached fibres, which are not chemically altered.

"For the first time this allows for an unbleached product with ISEGA food contact certification, which is a way to pursue and guarantee the excellence on hygiene."

TWM/3: Are environmentally-friendly tissue products becoming more popular in Spain?

"Sustainable tissue paper is a concept that is very close to being admitted in the market. The discredit of plastic, together with global campaigns to reduce CO² and the increasing pressure of climate change policies are captivating the interest of retail giants for the first time.

"Very recently, for example, a large retail company told us that our "tissue paper in a cardboard" concept is too disruptive to be incorporated at this time in their stores but wants to maintain contact because it perceives that the market demands alternatives to plastic packaging at high speed.

"We are in an awakening in terms of rethinking consumer tissue products, especially in terms of sustainable



Rethinking consumer tissue: L.C. Paper chief executive Joan Vila, and an example of the company's tissue paper products

packaging, for which our company has been preparing for years and to which we are very well positioned."

TWM/4: What volume growth are you seeing locally?

"The tissue market here does not grow when GDP per capita, the population, and the number of tourists does not grow. That is why it will be difficult for it to grow further, taking into account that any movement towards sustainability will also decrease total consumption in tonnes.

"This question should also be asked to those responsible for the launch of the new tissue machines placed in the Iberian Peninsula during the last year, whose motivation is very difficult to understand in a scenario of zero market growth. This scenario forces us to be very aggressive in export."

TWM/5: Is there saturation in the Spanish tissue market and if so, how are you dealing with that?

"Production in the Iberian Peninsula is over 1,100,000 tonnes, with a stable consumption of 860,000 tonnes, which means we have an over-production of

"THE TISSUE MARKET HERE DOES NOT GROW WHEN GDP PER CAPITA, THE POPULATION, AND THE NUMBER OF TOURISTS DOES NOT GROW. THAT IS WHY IT WILL BE DIFFICULT FOR IT TO GROW FURTHER, TAKING INTO ACCOUNT THAT ANY MOVEMENT TOWARDS SUSTAINABILITY WILL ALSO DECREASE TOTAL CONSUMPTION IN TONNES. THIS QUESTION SHOULD ALSO BE ASKED TO THOSE RESPONSIBLE FOR THE LAUNCH OF THE NEW TISSUE MACHINES PLACED IN THE IBERIAN PENINSULA DURING THE LAST YEAR."

27.9%. This forces us to export even more and to manufacture different products from the majority to escape the price battle. This situation inevitably leads to the closure of less efficient plants. It is a clear situation of Darwinism that demands knowledge and imagination to survive.

"In our case, many years ago we decided to position our company as the benchmark in sustainable terms, so we have slowly fled from the main battle of the market and have looked for niches in which environmental characteristics are valued above all.

"This is a position that is hardly improvisable by the other manufacturers, since it requires rethinking the energy sourcing, the engineering of the machines, the production processes, the product

design, the packaging... something that entails a reorientation of the company that lasts for years. That is why we are optimistic about the preservation of our market position."

TWM/6: How is the slow population growth in Spain impacting the tissue market?

"The population in Spain – both residents and tourists – is currently stable. Since 2008 the population growth is zero or slightly negative, oscillating between 46m and 47m people.

"Regarding the number of tourists, it seems also stable since 2017, reaching 82.6m foreigners in 2018, with current

growth close to 1% per year. This leads to the zero growth in the demand for tissue that we mentioned earlier."

TWM/7: How are economic events in Spain impacting the market?

"The external and internal circumstances of Spain will affect the economy. On the one hand, the US tariff conflict has led Asia Pulp & Paper to enter the Iberian market. Brexit will also affect the Spanish economy, as will do the decline of the entire world

economy. Although the tissue sector in Spain is strongly competitive, the slowdown will reduce domestic consumption, which is particularly unfortunate in an overproduction scenario."

TWM/8: Are you seeing an increase in demand for private label products in Spain?

"I don't think there is any particular sector with current growth in the Iberian market. It is possible that there are some

specific transfers from traditional brands to private label products, but we are not detecting particularly relevant movements in this regard. However, we are detecting for the first time a high demand of private label products for online-only retailers (e-commerce), which did not exist a few years ago."

TWM/9: What are the main trends you're seeing?

"The general trend of the tissue market in Spain is a decrease in production due to the closure of the most inefficient plants. In the particular case of converting, as we mentioned before, we detect that in recent months, very quickly, large distributors are beginning to push a change in the consumption habits of the population that generates new buying interests: particularly plastic-free packaging and eco-friendly products."

"THE EXTERNAL AND INTERNAL CIRCUMSTANCES OF SPAIN WILL AFFECT THE ECONOMY. ON THE ONE HAND, THE US TARIFF CONFLICT HAS LED ASIA PULP & PAPER TO ENTER THE IBERIAN MARKET. BREXIT WILL ALSO AFFECT THE SPANISH ECONOMY, AS WILL DO THE DECLINE OF THE ENTIRE WORLD ECONOMY."



Consumer market: the company and its employees have - for the first time - started to migrate part of the factory's production towards the consumer market, focusing on sustainable products.

138 YEARS SINCE L.C. PAPER WAS ESTABLISHED

50,000TPY PRODUCTION CAPACITY AT THE BESALÚ SITE

860,000TPY
TISSUE CONSUMPTION IN THE REGION

27.9%
OVERPRODUCTION OF
PRODUCTS IN THE REGION

0KG CO₂/T
EMISSIONS IN PM₂

155KG CO₂/T
EMISSIONS IN PM₃

1,100,000TPY
TISSUE PRODUCTION IN THE IBERIAN PENINSULA

"Our converting concept is focused on that area, with packaging exclusively based on cardboard boxes and products with unbleached fibres.

"The ramp-up of our converting line presented commercial difficulties, since the market was not yet demanding this type of products, but in recent months we have seen how this trend reverses rapidly and the market seeks exponentially sustainable products for consumers."

TWM/10: What are the main challenges for you in the next few years?

"Our challenge is in the consolidation of our position as a top player in the production of sustainable products. As the new, environment-first trend develops, we are sure that many manufacturers will want to join this movement. That is why we are focused on generating competitive advantages to place ourselves as far as possible from other manufacturers in terms of sustainability, so that we can have our own market fully developed at the time

when this type of competition intensifies.

"On the other hand, the tight margins of our sector are a continuous challenge that requires creativity and good management."

TWM/11: And the main opportunities?

"In the mid-term it is to penetrate significantly into the European tissue market, both in Spain as well as in France, Germany and the Scandinavian countries, thanks to our leading position in alternative packaging and leading in sustainability products development.

"We are a company with 138 years of history and a production capacity exceeding

50,000 tonnes per year, which also has much more modern machinery than the industry average and that has recently reached carbon neutrality, so we are convinced that our position is strong and we enjoy good health in the tissue sector of the Iberian Peninsula."

"THE RAMP-UP OF OUR CONVERTING LINE PRESENTED COMMERCIAL DIFFICULTIES, SINCE THE MARKET WAS NOT YET DEMANDING THIS TYPE OF PRODUCTS, BUT IN RECENT MONTHS WE HAVE SEEN HOW THIS TREND REVERSES RAPIDLY AND THE MARKET SEEKS EXPONENTIALLY SUSTAINABLE PRODUCTS FOR CONSUMERS."



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'I WANT TO BE ON THE RIGHT SIDE OF HISTORY. I WANT TO PRESERVE NATURE FOR FUTURE GENERATIONS, FOR WILDLIFE AND FOR PEOPLE, SO MY TEAM AND I ARE WORKING HARD TO MAKE IT EASIER FOR PEOPLE TO ALIGN THEIR PURCHASES WITH THEIR VALUES.'

Danny Alexander is a co-founder of the Australian-based environmentally conscious tissue producer Who Gives A Crap. He established the company along with Simon Griffiths and Jehan Ratnatunga in 2012 after they learned that 2.3bn people across the world don't have access to a toilet. The three colleagues launched Who Gives A Crap with a crowdfunding campaign on IndieGoGo. Simon sat on a toilet in their draughty warehouse and refused to move until they had raised enough pre-orders to start production. They delivered their first product in March 2013.



1/ Why did you set up Who Gives A Crap?

"We set up the business to solve two problems. The first is environmental — the environmental damage our industry is doing is horrendous, and we set out to prove that it's possible to create and grow an environmentally conscious business. And the second is societal — about 40% of the world lacks access to a toilet. That's why we donate half of our profits to help build toilets.

"We have also tried hard to make our image beautiful, delightful, and appeal to an audience that wasn't just "green." We care about making our product as green as possible, though! Like any business, we aim to grow as much as possible. Rather than growth for the sake of growth, we're keen to grow in orders to ensure that everyone on earth has access to a toilet."

2/ What tissue products do you use in your home?

"Toilet paper, tissues and kitchen towel. Who Gives A Crap brand, of course!"

3/ Are they high-quality, private label, branded toilet paper products? Why do you prefer these specific types of products?

"I'm biased, but I think they're the highest quality—both in terms of softness and strength and in terms of the general delight I get from using them! I love that they make me, and our customers, feel good about their decisions."

4/ How do you buy your products? Online, in bulk, at a local super market, etc?

"Online. I hate shopping!"

5/ What have you noticed about the availability of tissue products in your home country compared to when you've travelled abroad?

"Depending on the markets I'm in, the availability of environmentally-friendly options changes a lot. I'm sad to see it's still so hard to find good quality recycled paper products here in the US!"

6/ Is using environmentally-friendly tissue products important for you? Do you use green products at home?

"I sure do. We can't look the other way anymore and I want to be on the right side of history. I want to preserve nature for future generations, for wildlife and for people, so my team and I are working hard to make it easier for people to align their purchases with their values. I'd love to work with mills, manufacturers, and others who share this desire to genuinely make a difference, so if you're reading this please do reach out!"



SPECIAL FEATURE: ANNUAL REVIEW 2019

As 2019 draws to a close, TWM asks leading figures across tissue's global supply chain for their retrospectives on 2019... and predictions for 2020



Paul Fecher, Northwood chairman, Northwood Paper, Tissue & Hygiene

TWM/1: How have the events in the tissue industry in the last year impacted your business?

"2018 and 2019 have performed independent of logical evolution, there has been a disconnect between availability, and subsequently the consequences of price erosion. It started with tight supply and aggressive pricing policy by pulp suppliers which forced tissue prices to head north. During the period, we have seen the strengthening of the US\$ as well as the Euro against the wounded British pound, or should I say Sterling weakened against all currencies.

"The continued uncertainty which still prevails over Brexit enforces lack of clarity. In 2019, as far as the UK is concerned demand has been solid, the biggest issue is uncertainty and constant lack of government being able to govern. At first, we thought that the extra demand for fibre to replace plastic would compensate for the soft pulp demand from China, however that decline was greater than the growth produced by substitution. The interference by Asian governments on RF imports has had catastrophic short-term consequences on the lower grade RF supply balance, encouraging mills to substitute cheap low-grade materials into packaging so reducing demand for virgin fibre. This resulted in an oversupply of pulp which in spite of consolidation by the pulp suppliers the supply and demand balance could not be managed and price erosion followed.

"We at Northwood have navigated these challenges and managed to turn many of them into positive opportunity whereby we have secured additional tissue manufacturing capacity and converting facilities thereby further integrating our business at least in its supply of RC Tissue grades."

TWM/2: What main tissue trends are you expecting to see in 2019/2020?

"At Northwood we are constantly looking to reduce our effect on the negative by products of manufacturing recycled tissues as well as battling to further reduce our usage of energy as well as water. We have invested heavily to reduce the water content and also to preserve fibre in our sludge production, saving CO₂ as we have reduced the number of trucks needed to dispose of our waste stream by almost 20%. We have also acquired a co-generation facility meaning we create our own electricity which we also sell to the grid. All our transport fleet is updated and meets the best in practice emission targets.

"We have added a number of new additional converting lines to make AfH rolled towel and toilet products, we are a major supplier of private label as well as our well-known brands of Leonardo, North Shore, Essentials, Optimum, Whisper, Hush and Rhino covering folded as well as the full hygienic product portfolio needed by our clients be they in the professional or consumer sectors. Additionally, in Spain under the Saten Brand we offer the full table top assortment further making Northwood the complete supply chain partner of choice. We use virgin tissue or RC tissue as appropriate to best suit the product criteria."

TWM/3: How are the changing economic conditions around the world impacting the tissue industry?

"The only certainty we have is that we have no certainty and we need to be aware

of sudden changes and mitigate against these headwinds and with our excellent leadership team we are well placed to continue on the path followed during the last decade. We now manufacture over 100,000mt of RC tissue/towel grades most of which is consumed internally. We continue to select opportunities to grow our market offering and manage the unfavourable climates presented."

TWM/4: Are you seeing demand for tissue products in new geographical areas, and if so, where and why?

"Demand for our grades continue to grow. We are covering selected markets as served historically but we are well placed as capacity grows to expand the Northwood footprint and now we also have mainland Europe paper making, converting and a distribution base so we are able to present to cross border buyers a robust supply chain partner."

TWM/5: What are the main challenges and opportunities facing the tissue market in the immediate future and how are you tackling them?

"By far the biggest challenge facing our industry is currency volatility, however we have well-honed systems in place to manage the peaks and troughs. The gyrations of the pulp market, be it availability or price development, continue to confound all the soothsayers as no amount of forecasting and algorithms can shed a light on developments until they are upon us in the global village that we now all inhabit. We are in a very vibrant sector which demands 24/7 commitment and that is the only way one stands a chance of making the right judgment call. In the UK once Brexit is effected or cancelled, one uncertainty will be removed and if we have a government that encourages enterprise and competition and lets business evolve, we are positively looking forward to responsively growing our businesses."



Bud Chase, vice president – tissue, EDT

"Throughout 2019 we continue to see competition in At-Home and high-quality AfH sectors of our industry. Simply stated, this is competition between products which are essentially not marketed, i.e. big box store "brands" and traditional brands we all know supported by branding costs and paid shelf space at local outlets.

"The cost to bring branded products to market must be offset by either reduced manufacturing costs or brand loyalty driven by genuine quality differences that consumers will pay more for.

"Manufacturing costs remain a slight

competitive advantage for the traditional producers of branded consumer products because they have a more experienced production labour/management pool, but this is evaporating rapidly as retirements occur and time passes allowing experience to build in the newer players.

"As this experience base continues to equalise, where will the future advantage be? Innovation always remains an attractive possibility, but innovation in what? Manufacturers have been challenged for years to innovate something on the product side that truly gets the attention of the consumer (roll size, quantity, perf options, softness, absorbency, etc). Improving either softness or absorbency are innovation areas that many are working on but creating a big enough change in softness or absorbency to get and keep the attention of the consumer remains a challenge for many. Enzyme technologies are available to help do this but require a committed approach. While there are fundamental differences between papermaking asset classes like TAD types, Structured Tissue or Felted Tissue along with their respective stock prep systems, these will likely not be the major innovation drivers due to asset commonality between

various producers.

"Eucalyptus, a well-known softness driver, is also commonly available to all. Local wood baskets may play a key role as producers learn how to modify those cost-effective fibre types for maximum softness and absorbency contribution vs just accepting the historic status quo from those pulp types. Using enzymes to modify local fibre types to allow for expanded use without giving up, or even improving softness or absorbency could be a major advantage for some.

"Ironically, another opportunity to gain competitive advantage may lie with retirements occurring now. Companies who handle this phenomenon well by preserving experience through commitment to extensive training, higher-level internal data disciplines or strategic supplier partnerships may see a reduced negative impact. In addition to maximising quality contributions from using more local or a more cost effective furnish, one of the most important parts of gaining a competitive advantage in the next five years could be to lose less manufacturing efficiency from experience loss than your competitor."



Scott Griffin, director – tissue sales, Central National Gottesman (CNG)

segment. This certainly makes life tough for everyone in the business. This has led some producers to rethink their go-to-market strategies for parent rolls. So I suppose the silver lining for CNG has been that we have had the opportunity to develop several new and meaningful partnerships globally whereby suppliers have been keen to take advantage of our sales reach and supply chain capabilities. It is also nice that many of these companies are major customers of CNG for woodpulp."

TWM/2: What main tissue trends are you expecting to see in 2019/2020?

"From a supply standpoint, brand owners and retailers will continue to vie for share and domestic demand will continue to outpace domestic supply. There will be more rationalisation of older mill and converting assets. Companies who have neglected to adequately re-invest will struggle to remain relevant in this hyper-competitive North

American landscape. Further, we will likely see more consolidation among retailers and AfH distributors. This will put pressure on an already fragmented supply of integrated producers and independent converters. That said, there will always be room in the market for well-executed projects and well-run companies, regardless of their size.

"We are involved in a major straw pulp mill project starting now in Eastern Washington. It will be very interesting to see how this "tree free" fibre is incorporated into the tissue segment and what value consumers might place on such a product. In addition, there are very creative initiatives being taken by AfH players looking to replace higher cost non-woven substrates with 100% cellulose based ones. And lastly, manufacturers are utilising conventional dry crepe to achieve national brand equivalent quality in the consumer space through continued advancements in paper making and converting line technologies."

TWM/1: How have the events in the tissue industry in the last year impacted your business and the global tissue industry?

"During 2017 and 2018, we saw massive run-ups in fibre prices alongside significant increases in tissue capacity. Throughout this period, and in 2019, competition has been at an all-time high in the tissue

TWM/3: How are the changing economic conditions around the world impacting your business and the tissue industry at large?

"Growth rates in tissue will surely be impacted by an economic downturn but we have faith that this impact will remain healthy relative to other consumer products and commodities. Globally, we still see positive growth in the near term. We've been impressed by the pace of growth in many developing regions. In China, we have noted the skill with which producers have moderated their production rates in order to keep supply and demand in balance during an otherwise over-supplied period."

TWM/4: Are you seeing demand for tissue products in new geographical

areas, and if so, where and why?

"In several developing regions we are excited about demand growth. For instance, this summer we opened our new office in Gothenburg, Sweden, with a specific focus on serving the sub-Saharan markets. I believe this demonstrates our enthusiasm for these markets and our willingness to invest time and resources in the success of our customers there. With the population being in excess of one billion people and tissue consumption expanding in certain countries there in recent years we feel this region offers promising growth potential."

TWM/5: What are the main challenges and opportunities facing the tissue market in the immediate future and how are you tackling them?

"The main challenges and opportunities facing the tissue market for our parent roll merchant group today is identifying industry partners committed to building long-term sustainable relationships. While the nature of each transaction varies (spot, mid-term or long-term) having common values is essential in building a strong partnership that fuels growth in the long run."

TWM/6: What do you make of the Trump/China trade wars?

"Regardless of your opinion of the President's strategy, most Americans agree that the trade relationship between the US and China was in great need of a re-balancing. That said, we will be overjoyed to see the end of the trade war!"



Daniel Signori, technical director, Mili

TWM/1: What key events has the tissue industry been impacted by during 2019?

"The Brazilian market is going through a very complex year. On one side we have excess supply offer and we understand that the current market has a 30% idleness rate. On the other we see the increased concentration of retail players, with more power in negotiations, and this combination is causing the margins practiced by the industry to fall sharply. The year has been challenging with companies concerned about their costs and streamlining their processes."

TWM/2: How have tissue company merger and acquisitions impacted the industry?

"Not only in the Brazilian tissue market, but the world market tends to consolidate

and medium-sized companies tend to be rare in virtually all sectors. In Brazil, we had the consolidation of the fourth and second largest installed capacity, which generated a company with approximately 20% of the market. It is still early to assess whether there has been a change in behaviour in the companies' commercial line because these changes usually have a maturation period and there was no significant reflex in the market per hour."

TWM/3: What new trends have you seen in terms of the tissue segments?

"The Brazilian market continues to mature and the trend is having a good growth rate in the AfH segment as we see in Europe and the USA. The private label sector will also have a tendency to increase forced mainly by the large concentration in the retail sector. The challenge for the industry will be to create brands strong enough to increase value in the consumer's mind, values such as sustainability, softness and quality should serve as differentials at the moment of choice. Otherwise tissue risks becoming a commodity, which is not good for the consumer, much less for the industry."

"Automation and Industry 4.0 gain strength in equipment and processes. This will allow the emergence of differentiated products fighting for specific consumer niches, rationalising the use of inputs will also be a differential to continue competing in such a difficult market."

TWM/4: How is the world's economy impacting the tissue market, are we seeing increasing demand in certain regions for tissue products?

"Brazil has regions with very distinct characteristics, south and southeast behave very differently than north and northeast. We foresee a good growth in these last two regions and we note that the slowdown in global growth added to the internal crisis brings a negative mood component to all consumers. But if some internal indicators start to improve, this consumption will grow again and we have an excellent expectation for the year 2020."

TWM/5: What key opportunities are there in 2020 for tissue companies, and what key challenges?

"We look forward to the year 2020, after three years of internal crisis and decreased consumption, new indicators of economic recovery have appeared and with them the expected increase in consumption, greater use of installed capacity will bring greater scale and cost reduction. With better margins, it will be possible to increase the flow of investments in equipment and processes making the products even more competitive."

"The challenge is already having the minimum technological level to guarantee competitive operating costs. In a sector as dynamic as this, one is either growing or disappearing, there is no second way."



Alexander Wirth, senior manager, StepChange Consulting

by inventory increases at many of the key players in the industry. In particular, working capital levels of CMPC and Hengan International, who traditionally operate on higher inventory levels than European or North American players, have increased further to over 80 days inventory outstanding. Looking at Returns on Capital Invested, the tissue industry continues to show solid returns and continues to invest. But, overcapacities already exist in nearly all markets, and additional capacity is still being installed. It can be expected, that pressure on margins will remain high."

tissue machine and converting equipment is relatively simple and less capital intense, consequently the barriers to market entry are comparatively lower.

"The major global trends impacting tissue are increasing standards of living, increasing urbanisation and rapidly changing lifestyles. Further, the overall ageing population, and a strong demand for economically sustainable solutions are important future drivers for tissue markets. These trends provide significant opportunities for the tissue industry."

TWM/1: With dropping pulp prices in 2019, how has the tissue industry been affected?

"From a profit perspective, this year has shown some relief driven by reduced input costs as pulp prices have been declining. We are monitoring the results of the key players of the industry closely and it can be observed that the net profit and EBITDA results of companies active in the tissue peer group have remained stable in the first half of 2019, compared to the previous year. We noticed as well, that some big players are consolidating their positions, and are openly questioning margins in tissue. Their strategy is mainly focused on hygiene segments where margins are higher, products are more complex and brand building has a higher potential to lock in customers."

TWM/2: How are tissue markets performing and what is the balance sheet impact?

"Inventories are up and cash flows are down, which signals that demand is slow. Overall, significant working capital increases can be observed, we see a plus of 75% compared to 2018, driven

TWM/3: The greater pulp, paper and packaging industry is slowly consolidating. Does this trend also apply to the tissue industry?

"Over the past two years, consolidation in the tissue peer group has been limited, and we rather believe that we have more of a fragmentation, than consolidation. A smaller and opportunistic M&A event was the acquisition of the Orchids assets by Cascades. Consolidation in the tissue industry cannot really be observed. We notice small-scale and small-volume tissue producers operating in emerging markets. Overall, Asia is doing well, catching up in consumption per capita and continuing to profit from population growth in some markets. However, growth is also slowing there."

TWM/4: What trends do you see?

"Tissue remains under pressure from private labels and the fragmentation is helping this trend. Most capacity investments stem from smaller and privately-owned companies. Compared to other paper grades, the installation of a

TWM/5: What are the key opportunities and key challenges for tissue companies in 2020?

"A big opportunity is to translate global trends into value through digitalisation. Benefits from increasingly digitalised businesses are in the areas of customer relationship management, cost reduction, supply chain improvements, energy efficiency and business process efficiency. On the risk side, we see a lack of internal awareness about digitalisation, and resistance to changing existing processes as the biggest challenges. While the topic is omnipresent, we see relatively few specific transformational digitalisation projects in the tissue industry. Where digitalisation is a topic, it is mostly related to production assets. Aspects like lean and digitised business processes, the management of global supply chain networks, or new levels of supplier-customer interaction deserve more attention and focus in our opinion. Those aspects are especially valuable during tougher economic times as they serve differentiation in commoditised markets and can help reach next level competitive advantage."

Steve Peters, sales and business development manager, Bedford Paper

TWM/1: How have events in the tissue industry in the last year impacted your business and the global tissue industry?

"Raw material supply and price variations were more volatile in the last 18 months. In past years there has more stability. Still, availability can be overcome by maintaining a diverse supply chain, always working to

maintain and build relationships. Pricing is a matter of supply and demand and will always be driven by market need. The same is true of tariffs which have had a short-term impact, the industry will learn to adapt."

TWM/2: What main tissue trends are you expecting to see in 2019/2020?

"Focus on quality materials and quality of finished products will be more important. I expect that we will see more innovation toward improved substrates and increased demand for higher quality products."

TWM/3: How are the shifting economic conditions around the world

impacting your business and the tissue industry at large?

"Tariffs have had a short-term impact, the industry will learn to adapt. I believe that US domestic manufacturing will continue to increase and imports become less important. Lead times for imports is becoming more of a challenge and customer are looking for faster response."



TWM/1: How have the events in the tissue industry in the last year impacted the tissue sector?

"Acquisitions and company mergers were strong this year and because of that we see companies aiming to re-organise their portfolios, brands and teams. Marketing and retail strategies play an important role during the process of rearranging the internal structure in order to deliver to shoppers a more consistent offer, with a clear positioning. Additionally, sustainability has undoubtedly been the big trend forcing companies and mills to re-think their products and processes to try to keep their costs stable, with very little increases in the final price. High investments in technology have brought several inspiring projects regarding sustainability - it was an exciting year!"

TWM/2: What main tissue trends are you expecting to see in 2019/2020?

"We will continue to see most growth in the emerging markets - Latin America, Asia and Africa - now more and more driven by added-value products. Countries like Turkey bring expertise and innovation, delivering very high-quality SKUs. I expect to see more solutions focused in our circular economy need: reduction of carbon footprints, water

TWM/4: What are the main challenges and opportunities facing the tissue market in the immediate future and how are you tackling them?

"Labour is the biggest challenge facing the industry. Attracting and retaining personnel will become more of an art. Smaller companies may be more versed to adapt and manage this than larger corporations by being more personable.

"Automation will play a larger role in capacity growth and maintaining operating rates at the expense of staffing challenges."

TWM/6: What do you make of the Trump/China trade wars?

"While tariffs are intended for long-term negotiations and balance between countries, the industry will learn to adapt."

Fernanda Accorsi, founder, F.A. Retail

use, supply chain efficiency and, of course, packaging reduction - which impacts AH and AfH markets. Private label will continue to grow and not only with cost-benefit options but also with added-value products - retailers believe that having their own label brings them exclusivity and keeps them out of a "price war" with national brands.

TWM/3: How are the changing economic conditions around the world impacting the tissue industry?

"Political conflicts such as Brexit and China vs USA will keep encouraging local suppliers and manufacturers, and due to the high competition in this sector, companies will avoid increasing the final price of their products despite increases in their costs and import fees, which might force them to end up with lower profits."

TWM/4: Are you seeing demand for tissue products in new geographical areas, and if so, where and why?

"Demand is still growing in all the emerging markets and they are the ones that will drive the little growth forecasted for the sector. On the other hand, I do also see a slight contraction of consumption in some mature markets, driven by the ecological movement fighting waste and climate change. Consumers are re-thinking their purchase habits and establishments are also engaged in reducing the waste and

educating users - which may also reflect on the AfH volumes. Establishments are already replacing paper towels with electric "hand-dryers", for example."

TWM/5: What are the main challenges and opportunities facing the tissue market in the immediate future and how are you tackling them?

"I see the e-commerce channels emerging as a powerful point of sales (POS) for the tissue

categories and this reduces the chance a brand has to personally interact and engage with

shoppers. These are already saving their 'shopping lists' on their favourite online retail platforms, to reduce the 'shopping time' and therefore achieving a faster and easier experience. This is quite a challenge for tissue brands, since the SKUs are considered commodities. And of course, "circular economy" and "cradle-to-cradle (C2C)" are becoming famous concepts and transforming production processes in order to comply with political and ethical requirements can become an important opportunity in the immediate future. I consult companies that want to rethink their portfolios and their brand-positioning in order to meet these requirements."

"I DO ALSO SEE A SLIGHT CONTRACTION OF CONSUMPTION IN SOME MATURE MARKETS, DRIVEN BY THE ECOLOGICAL MOVEMENT FIGHTING WASTE AND CLIMATE CHANGE. CONSUMERS ARE RE-THINKING THEIR PURCHASE HABITS AND ESTABLISHMENTS ARE ALSO ENGAGED IN REDUCING THE WASTE AND EDUCATING USERS - WHICH MAY ALSO REFLECT ON THE AFH VOLUMES."

IS A FUTURE PAPER LAMINATED OR EXTRUDED WITH ECOLOGICAL BIOPLASTICS THE ANSWER?

The tissue industry, like all production systems, must find the answer to the planet's plastic problem. Many companies are already advanced in research. Pirkko Petäjä, principal at ÅF Pöyry AB Management Consulting Division, examines the latest best-hope developments.



Pirkko Petäjä
Principal, Pöyry Management
Consulting

Plastic recycling and bio-based plastics

The world is crying out for a solution to the plastic problem, not only because of the huge amount of fossil-based oil that is needed for its production, but also because too often used plastics end up discarded in nature.

The annual plastics production is reaching some 400 million tonnes. When it comes to the tissue industry, plastic has been intrinsic to tissue product packaging, and plastic materials play a fundamental role in protecting, preserving, transporting and promoting the tissue products.

For this reason the tissue industry and its interest groups, particularly clients, have been increasingly concerned about the global plastic waste problem. While tissue production is developed towards more and more sustainable processes and raw materials, tissue is typically packed in virgin plastics PE/PP in its primary and secondary packaging and also the pallets are wrapped in plastics. This destroys the image of a sustainable product and increases for its part the accumulated world plastic waste problem that is already alarming.

The transition away from fossil plastics may require several steps and phases. The requirements in the tissue packaging, quality and quantity, solutions available, achievable schedules, costs and future developments, etc, should be carefully studied and evaluated to find the right pathway.

What is required from the new solution? First of all it must perform in the package and do the job it is used for. It also needs to run in increasingly automated, fast high performance production lines. Whatever it is it must be available in large quantities and at reasonable prices.

Recycled plastic is a good starting point. The European Union has recently voted to ban single-use plastics by 2021; recycling would remove at least the single-use.

However, the package must be usable in economically sustainable recycling chains and compatible with existing recycling systems. It can take time to establish deposit schemes for tissue packaging but it can work as it works in many places for bottles and cans. However, recycled plastic is still plastic, of fossil origin, and can still end up in nature. It is also perceived by consumers as plastic, and not as particularly sustainable.

The second phase is to add bio-based content to the plastic feedstock. However, bioplastics, plant or animal based, are still very expensive. In addition, they are not available in the quantities needed. A close loop of bio-based recycled plastics may be the desirable end-state but it is still really far away and the bioplastics alone are not a practical solution any time soon for the whole tissue industry's needs.

Fibre-based packaging

Paper packaging of tissue has woken a lot of interest and many producers have made tests and trials together with the packaging machinery suppliers. Several producers already offer paper packed tissue often alongside with existing products. Most of the focus has been on wrapping, bundlers are still on their way and pallet packaging probably comes even further in the future. Paper is used in several different ways and is capable of effectively replacing plastics. To have similar properties as plastic it can be laminated or extruded with plastic. To get a more sustainable product paper can be coupled with ecological bioplastics made from starches and plant waste. Fully compostable, recyclable and biodegradable packaging materials have been developed based on bioplastic surfacing. These are more affordable and better available than bioplastics alone, but still an expensive solution that can be difficult to imagine everywhere in the very near future. However,

WHEN IT COMES TO THE TISSUE INDUSTRY, PLASTIC HAS BEEN INTRINSIC TO TISSUE PRODUCT PACKAGING AND PLASTIC MATERIALS PLAY A FUNDAMENTAL ROLE IN PROTECTING, PRESERVING, TRANSPORTING AND PROMOTING THE TISSUE PRODUCTS. FOR THIS REASON THE TISSUE INDUSTRY AND ITS INTEREST GROUPS, PARTICULARLY CLIENTS, HAVE BEEN INCREASINGLY CONCERNED OF THE GLOBAL PLASTIC WASTE PROBLEM.

in a wide extent it is likely to be available sooner than packing in only bioplastics.

In addition to limitations in the performance, paper packaging material, thermo-sealable but not coated, is somewhat more expensive than normal poly. Coated materials are even more expensive. With several of the alternatives for coating or sealing, the problem is that the material cannot be re-pulped and this makes the operation much more complicated and increases costs.

Packaging machine suppliers have been active and enthusiastic in developing machinery for paper packing. The ability to use paper can be retrofitted to most wrappers with reasonable cost. The existing machinery is not revolutionarily changed, but the paper packing is interchangeable and compatible with current type of machinery. Most package sizes can be produced with similar speed and efficiency than poly. Adding some paper packing in the portfolio can thus be relatively easy.

Casepacking is another fibre-based solution that has been offered. Casepacking can be sustainable, biodegradable, offers more protection than poly bundlers and can be used in sales directly to customers, for instance as an e-commerce ready product. Rolls in the box can be un-wrapped or paper wrapped as boxes protect them quite well. For smaller streams case packing can be a sustainable and relatively fast achievable solution.

Is paper packaging of tissue a marketing trick?

Tissue is now starting to be offered in paper pack by many players, however, there is hardly any one full packaging line in continuous usage for this; it is only a niche,

a token of environmental concern but an important signal for the consumers.

When it comes to the consumer perception, paper is more obviously and clearly 'sustainable' – you can see on the shelf it is something 'natural' and something new. The main motivation for paper packing may well be in the marketing; it is difficult to see that any producer imagines this to become the standard any time soon. Some paper packing available does not impact the global 'plastic ocean' problem but it shows the importance of sustainability issues in the company and is very important for the company image.

Pathway to sustainable tissue packaging

It is our understanding that tissue producers should map the alternatives for sustainable tissue packaging and define the pathway; the different stages and the target schedule for full implementation. What is realistic and in what schedule it can be reached should be studied. It may be necessary to approach the sustainable tissue packaging issue in multiple ways, starting from what is easily available through to full implementation based on something that is available only in the longer run. Many have already started from reducing the thickness of the plastic film used and continuing by offering different sustainable solutions in different markets alongside with existing products.

Mapping the potential co-operation partners, alternative concepts, costs and schedules for both new bio-materials and plastic recycling systems is something where ÅF Pöyry has worked a lot and could help. We are deeply involved in development of substituting fossil based plastic with bio-based, bio-degradable

solutions. Although many tissue companies are already advanced with this, potential additional ideas would never harm.

Sustainability issues are of utmost importance in tissue, but should be approached in multiple ways

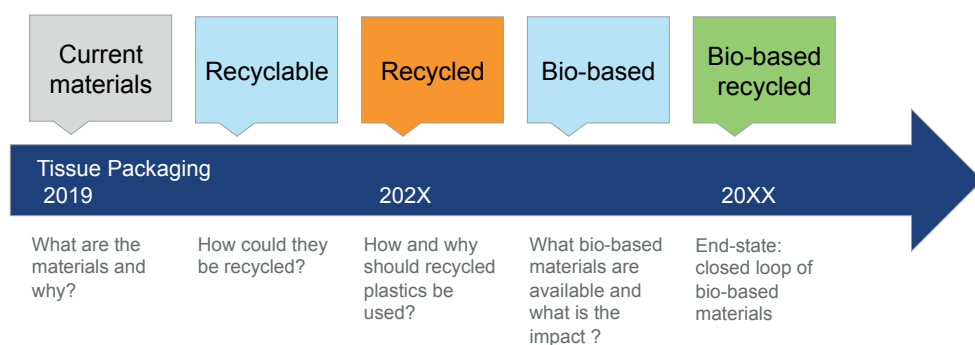
Environmental and sustainability requirements have long been a ticket to play in many markets. Certain basic requirements must be met in all the mature markets, some countries or segments being even stricter than others (typically Germany and Scandinavia). However, removing plastic packaging from tissue will not save the world. After all, the impact would be rather limited compared to many other plastic waste sources. The plastic waste issue is also not the only problem. The true sustainability in tissue is reached only by addressing the whole process and supply chain and taking care of all the sustainability elements throughout the chain.

Nothing in tissue would have a revolutionary impact alone; therefore sustainability must be collected from small streams starting from sustainable fibre choice, resource efficiency, i.e. water and energy efficiency, reduction of chemicals such as glues, sustainable packing, sustainable logistic solutions, etc.

Climate change is the environmental topic currently claiming the highest attention globally. The type of external energy used in processing is the largest contributing factor for the tissue industry's carbon footprint.

Due to the multiple elements in environmental sustainability, in labelling the products and highlighting sustainability, multiple impact labels and multiple measures are needed.

Transition away from fossil plastics may require several steps



The journey for a sustainable future

The future requires everyday heroes, and new ways of thinking



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PREMIUM PRODUCTS LEADING BALTIC STATES' STEADY GROWTH AFTER THE SOVIET ERA

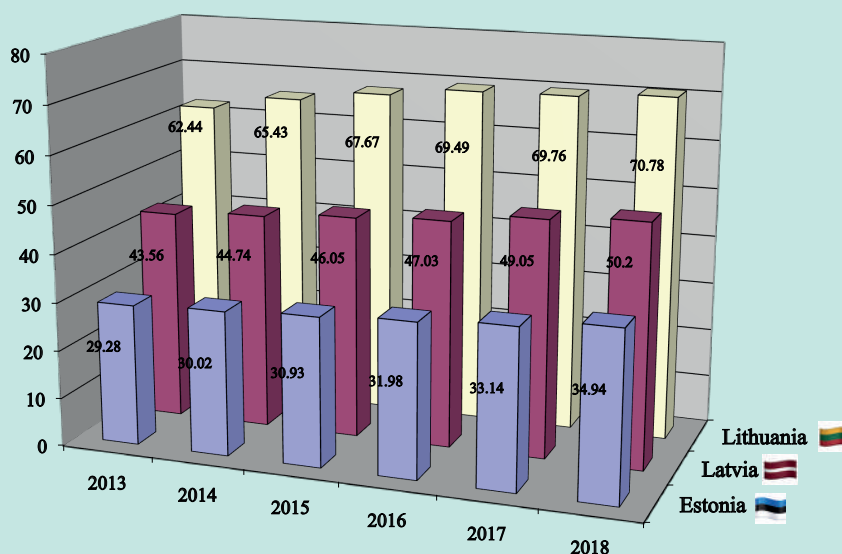
Relatively new to western style consumerism, increasing numbers of sophisticated consumers with more money to spend are leading tissue from functionality to luxury. Industry analyst Greg Grishchenko returns to report on progress.

EI



Greg Grishchenko
Industry analyst

RETAIL TISSUE SALES IN BALTIC STATES (EURO, MILLIONS)



ACCORDING TO THE LATEST EUROMONITOR INTERNATIONAL REPORTS, THE BALTIC STATES COMBINED ANNUAL TURNOVER FOR RETAIL TISSUE PRODUCTS IN 2018 HAS REACHED €156M (€35, €50, AND €71M FOR ESTONIA, LATVIA AND LITHUANIA RESPECTIVELY). HOWEVER, DESPITE 15 YEARS OF EU AND NATO MEMBERSHIP, CLOSE PROXIMITY IN LOCATION, SIMILAR POLITICAL SYSTEMS AND EVEN MATCHING CULTURAL HABITS, THE BALTIC STATES SHOW QUITE DIVERSE TISSUE MARKET DYNAMICS.

My previous report on the Baltic States – Estonia, Latvia and Lithuania - was written almost a decade ago when recent European Union membership was still a novelty, and western style consumerism was just beginning to kick in. Tissue market structure then was in the process of forming and local players were gaining power.

Today all three Baltic States, combined population 6.1m, show healthy and gradual economic growth accompanied with improving disposable income and falling unemployment. However, remaining threats for the tissue market in all three countries are common: a shrinking population that is being affected not only by the falling birth rate but also by emigration to Western European richer neighbours.

Regional diversity in market prospects

According to the latest Euromonitor International reports, the Baltic States' combined annual turnover for retail

tissue products in 2018 has reached €156m (€35m, €50m, and €71m for Estonia, Latvia and Lithuania respectively). However, despite 15 years of EU and NATO membership, close proximity in location, similar political systems and even matching cultural habits, the Baltic States show quite diverse tissue market dynamics. In 2018 the highest retail tissue growth rate of 5% was in Estonia, followed by 2% in Latvia and Lithuania.

Tissue product sales leadership rotated from year to year, however in 2018 and for the last two years, domestic tissue producer Grigeo Grigiskes has been the number one player in Lithuania with 35%, Sweden's Essity leads with 19% in Latvia and French-based holding Antalis takes first place in Estonia with 23%.

In 2018, paper towels showed the most remarkable growth in Latvia where busy young consumers with rising disposable income began to value convenience of such a product in wiping up spills and cleaning surfaces. In the more populous and



"Balance Rate": Grigiskes has developed the product labelling of its tissue brand Grite with four ranks – bronze, silver, gold and platinum.

industrialised Lithuania, the consumption of toilet paper - a mature product for the entire region - continued shifting from economy to mid-priced and premium brands.

While the health benefits of natural (cellulose) products are driving demand for premium tissue in the Baltic region, recycled tissue brands are fervently promoted by major players like Essity and Grigeo due to their price advantage and ecological impact. This ambiguity creates concerns regarding virgin fibre manufacturing in tiny and forestry rich Estonia. Having the currently operating local pulp processor Horizon in mind, there is strong resistance to recently announced plans to build another pulp mill in the country. Sales pitches about natural (virgin pulp) sourcing and domestic product origin may well be overrun by a quiet and deep public belief that such development destroys local aspen forests.

While writing this article in the middle of a barbeque season in the United States I made a trip to a local supermarket for food supply. Passing shelves with fire starting paraphernalia I came across a row of birch stumps under the label Bonfire Log (see picture) claimed to create "a beautiful bonfire anywhere with one match". It was advertised to burn for more than 1.5 hours (obviously, there was something flammable inside a stump). Ironically, this product by the company Essay Group, headquartered in New Jersey, USA, was marked "Made in

Estonia". Here comes a question about the fate of Estonian forests.

State of local manufacturing

In 2018 Grigeo Grigiskes was the strongest player in the Lithuanian retail tissue market. The company is a part of Grigeo, the paper and wood industry group in Lithuania and one of the largest in the Baltic region with a wide range of products including tissue, packaging, container/ corrugated board and wooden hardboard. Grigeo is listed on the NASDAQ Baltic exchange and processes 47,000 tonnes of tissue paper per year, employs nearly 800 people and supplies itself with bio-fuel, buys and recycles waste paper. It is also engaged in reforestation and investment in water treatment facilities.

Over the last 20 years Grigiskes' tissue brand Grite has remained fairly popular in the Baltic Region – the Baltic States plus countries with shorelines along the Baltic Sea including Denmark, Finland, Germany,

Poland, Russia and Sweden – showing outstanding growth rates in 2018 and gaining profits from the Grigiskes' move towards premium alternatives within toilet paper, facial tissues and paper towels.

The company also developed its own distinctive "Balance Rate" product labeling system used to further promote Grite brand. The matrix with four ranks – bronze, silver, gold and platinum – allows consumers to rapidly choose the product line explaining its benefits such as softness, strength, absorbency, number of plies and even ecological impact. Based on its detailed knowledge of the local market, Grigeo Grigiskes also attempted to premiumise its napkin product line in 2017 by dropping Grite Family Color coloured napkins and replacing it with new premium napkin product line Orchidea White. This 3-ply product features new design and technology and is distributed across the upscale IKI supermarket chain. However, due to low consumer loyalty for napkins the profitability of such move remains questionable.

Grigeo Grigiskes' recent investment in its production introducing 4-ply retail tissue products, innovative graphics in packaging and internet retailing with a Grite product line promotion via trendy internet store Barbora seems to be a promising step toward sales growth.

The leading retail tissue producer in Estonia is Horizon Tissue OÜ. This company was created nearly ten years ago on the premises of Horizon Pulp and Paper, an integrated pulp and paper mill founded in 1938 and worked throughout years of German and Soviet occupation. Horizon was on the verge of liquidation after the collapse of the USSR in the 1990s and was revived in 1995 after privatisation and 100% acquisition by Singapore's Tolaram Group.

Being number five after its multinational competitors and with declining value share over the last few years (6% in 2018), Horizon Tissue owns the Daisy brand targeting mostly competitive prices in toilet paper, kitchen towels, tissues and napkins. In 2018 the company launched a new combined heat and power plant (CHP) at the

OVER THE LAST 20 YEARS GRIGISKES' TISSUE BRAND GRITE HAS REMAINED FAIRLY POPULAR IN THE BALTIC REGION, SHOWING OUTSTANDING GROWTH RATES IN 2018 AND GAINING PROFITS FROM THE GRIGISKES' MOVE TOWARDS PREMIUM ALTERNATIVES WITHIN TOILET PAPER, FACIAL TISSUES AND PAPER TOWELS.



Estonian birch stumps: birch stumps advertised under the label Bonfire Log.

company's location in Kehra, Estonia, and used internally to reduce the mill's carbon footprint by 70% if compared with decade old numbers. A new power plant is part of a €25m "environmentally - responsive" investment programme to make 80% of its energy consumption from renewable sources. Horizon has the capacity to produce a total of 64,000tpy of 100% virgin unbleached kraft paper and is Estonia's only sack kraft paper producer. The tissue group accounts for approximately 12% of its overall output and this detail may explain low activity in promotion of its tissue brand Daisy as a product of Estonian origin.

The manufacturing outlook for Baltic States may not be complete without mentioning small local tissue converters competing with domestic and multinational suppliers. Gruine UAB is a Lithuanian company from Kaunas with its own 2-ply toilet paper brand Diona and a line of generic off-colour toilet paper, paper towels and napkins for AfH customers.

SIA Lenek is a Latvian producer of AfH napkins from Riga. The company was founded in 1996 and focused exclusively on non-printed 1, 2 and 3-ply napkins for HoReCa and private label. SIA Lenek exports to cafes, restaurants and fast food

chains in Europe (Germany, Sweden and Norway), Baltic States and in Russia. The ISO 9000:2015 certified company sources jumbo rolls, wrapping film and packaging from reputable European companies. As a small company with low overhead SIA Lenek offers better prices for high quality products that are fully compliant with all European hygienic standards.

Strong growth in AfH tissue is driven by HoReCa channel

According to Euromonitor International, in 2018 the AfH segment in the Baltic States reached €38.7m in combined sales, showing a 4%, 5% and 6% increase for Lithuania, Latvia and Estonia respectively compared with the previous year. A growing number of independent small restaurants presenting themselves as unique in terms of food, interior decoration and service is increasing demand for more exclusive tissue products including bath tissue, paper towels and napkins.

In 2018, the share of the HoReCa segment in the AfH distribution business in the Baltic States reached 65.8% in Lithuania, 67.5% in Estonia and 70% in Latvia, with small positive or negative fluctuation from previous years. There is a

small gradual growth for business/industry segment share in 2018 (15.9% in Latvia, 18.7% in Estonia and 19.1% in Lithuania). Hospitals/healthcare segment share slightly fell in 2018 in Lithuania to 12.8% despite increased immigration to the country and increasing number of private clinics targeting foreign clients. In Latvia and Estonia this segment showed growth to 10.9% and 12% respectively. The AfH public segment share in Baltic States is in low single digit without any significant changes in view.

During Soviet times, almost 30 years ago, all three Baltic States as "Socialist Soviet Republics" gained the status of the "almost Western Europe" for Soviet people from the rest of the Soviet Union who appreciated a significant advantage in food quality and service culture. Lithuanian, Latvian and Estonian resort towns along the shoreline were extremely popular and managed to carry on and improve their reputation to present day tourists. Current demand for hotels, restaurants and conference centres are rising, driven by a growing number of international visitors not only from close neighbours Russia and Poland but also from the rest of the world. Well-known international luxury hotel brands such as Accor, Hilton, Marriot and Sheraton are being attracted to the region and expect to bring a new set of consumer standards in the HoReCa industry, increasing the use of premium AfH tissue products.

Estonia, the smallest of the Baltic States, is progressively recovering from a half century of Soviet rule. According to Statistics Estonia, for the five year period from 2013 to 2017 the revenue from food and beverage enterprises (sectors with quite high consumption of AfH tissue) increased from €436m to €609m.

Private label holds its strong share in retail sales

During the last decade toilet paper matured in the region where the demographic situation (especially in Lithuania) was not beneficial even for limited new product development. The dwindling consumer base (for the last decade 20% in Lithuania, 12% in Latvia and 4% in Estonia according to the World Fact book) compels tissue product manufacturers to apply premiumisation, a strategy that has created the bridge between the desirability of the luxury world and the function and necessity of mass market. The growing number of sophisticated consumers with increased

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Competition: Private labels retain a significant stake in retail tissue while local chain retailers compete for customers buying tissue goods.

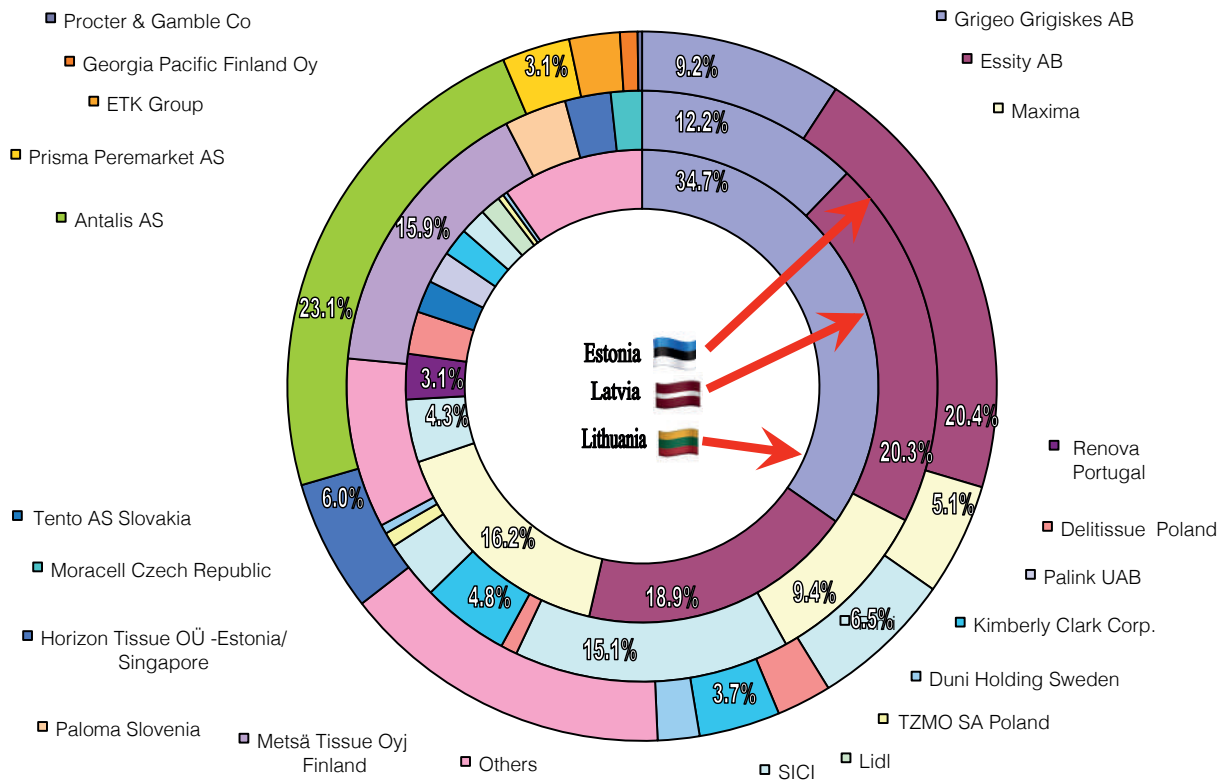
disposable income are choosing more premium and more layered tissue products.

In the Baltic States, the continuing popularity of chain supermarket shopping and promotions sets off price wars. This leads to the decline of unit prices of premium bath tissue and paper towels, encouraging consumer to switch to higher quality goods. However, as the cost of pulp is slowly increasing in Europe, unit prices of toilet paper are likely to grow so value and volume advance expected to be driven by premiumisation and positive economic conditions.

Private labels retain a significant stake in retail tissue while local chain retailers compete for customers buying tissue goods. The result is a growing demand for quality private label tissue products made by Lithuania's leading grocery retailer, Maxima, which wants to premiumise its Bloom private label by offering 4-layer premium toilet paper. In Latvia, private label toilet paper and paper towels hold a strong presence in the retail tissue segment. With its large network stores and wide range of price segments, Rimi Latvia was ranked second in retail tissue in 2018 selling such private label lines like ICA, Rimi and Rimi Basic. In Estonia, where the



Tissue Market in Baltic States (2018)



amount of financially struggling consumers is the highest among Baltic States, economy range products, especially toilet paper, play a vital role. However, with low cost private label toilet paper taking nearly 12% in the category, not all private labels in Estonia aim for the lowest price. As an example, Rimi Eesti Food promotes not only competitive prices but also sufficient quality. Additional tissue private label lines claimed to be price leaders are represented by Hüva and Säästu Coop Eesti and Optima Linija by Maxima Eesti.

Even with offered higher quality, domestic private label tissue products are often being outperformed by international branded players who use better market penetration strategies and are more experienced in promotions and product development. However, the share of private label in the Baltic States is likely to increase due to growing consumer's price/quality factor awareness.

Brand competition

In 2018, the Zewa brand remained the tissue sales leader in Latvia and Estonia with a share of 20.3% and 20.4% respectively. Having a wide portfolio of products under the Zewa name in the Baltic region, brand owner Essity offers various price options for bath tissue consumers from eco-friendly recycled 3-ply Zewa Deluxe to 4-ply premium Zewa Exclusive.

In Lithuania, the domestic brand Grite by Grigeo leads retail sales taking over one third of the market with Zewa just behind (18.9%) followed by local supermarket private label names Favorit (Maxima), Optima (Maxima) and Rimi. Lithuania is the only Baltic country where Portuguese brand Renova (known for distinctive coloured toilet paper) gained significant presence, especially in paper towels offering wide variety in sizes.

In Estonia, European brands Serla, number two (12.4%), and Lambi, number three (10.8%), made by Metsä Tissue (Finland) and sold via local branches of trading company Antalis (France) are very

popular and highly rated due to regular advertising campaigns and reputed high product quality. Lambi and Serla are also well-liked in Latvia and are ranked among the top five brands in 2018.

The toughest competition among brands taking place within such a mature category as toilet paper is resulting in a decline in average unit prices in 2018. Despite a continuing pursuit for added-value (inclusion of aloe vera or moisturisers) and premium products by local consumers, price promotions based on extensive cost discounting prevail in Baltic States.

With higher personal income consumers having increasingly demanding lives, there has been growing use of paper towels. While private labels from Maxima, Rimi and Coop chains offer economical and eco-friendly recycled options, the Zewa brand presents wider range of kitchen towels from Zewa Premium for value motivated users to Zewa Nature Lover for those concerned with environmental impact.

Even though the Baltic region's economic climate is positive, anxiety about any new geo-economic or political crisis is present and not anticipated to go away in coming years. With the low unemployment rate and despite dwindling population the outlook for essential tissue products such as toilet paper remains positive with the low single digit growth rate for the next five years.

EVEN WITH OFFERED HIGHER QUALITY, DOMESTIC PRIVATE LABEL TISSUE PRODUCTS ARE OFTEN BEING OUTPERFORMED BY INTERNATIONAL BRANDED PLAYERS WHO USE BETTER MARKET PENETRATION STRATEGIES AND ARE MORE EXPERIENCED IN PROMOTIONS AND PRODUCT DEVELOPMENT.



EVENTS CALENDAR

<u>11-15 NOVEMBER 2019</u>	London Pulp Week	London, UK	www.bwpa.org.uk
<u>19-21 NOVEMBER 2019</u>	ISSA North America 2019	Las Vegas, NV, USA	https://show.issa.com/
<u>3-6 DECEMBER 2019</u>	Paperex 2019	New Delhi, India	www.india.paperex-expo.com/Home
<u>3-6 DECEMBER 2019</u>	Tissueex 2019	New Delhi, India	www.india.paperex-expo.com/Home
<u>3-6 DECEMBER 2019</u>	Labelexpo Asia 2019	Shanghai, China	www.labelexpo-asia.com/
<u>13-15 JANUARY 2020</u>	PaperOne Show	Dubai, UAE	www.paperoneshow.net/
<u>3-6 FEBRUARY 2020</u>	Paperweek Canada	Montreal, Canada	www.paptac.ca
<u>11-13 MARCH 2020</u>	Tissue World Miami 2020	Miami, FL, USA	www.tissueworld.com/miami/
<u>31 MARCH-3 APRIL 2020</u>	INDEX	Geneva, Switzerland	www.edana.org
<u>10-12 JUNE 2020</u>	APTW 2020	Bangkok, Thailand	www.tissueworld.com/bangkok/
<u>16-26 JUNE 2020</u>	DRUPA	Düsseldorf, Germany	www.drupa.de

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B. JUMBO ROLL SUPPLIER

- ☐ Jumbo Roll Maker, for sale to converters

C. TISSUE CONVERTER Primary business is making paper and producing:

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D. RETAILING AND DISTRIBUTION

- ☐ Retailer ☐ Broker ☐ Distributor

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

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