

FEELING THE PINCH

During the Bureau of International Recycling (BIR) Paper Division meeting held during the association's Autumn Roundtable in Warsaw, Poland, attendees cited higher freight rates, increasing oil prices and a volatile U.S. dollar as weighing heavily on the paper stock market.

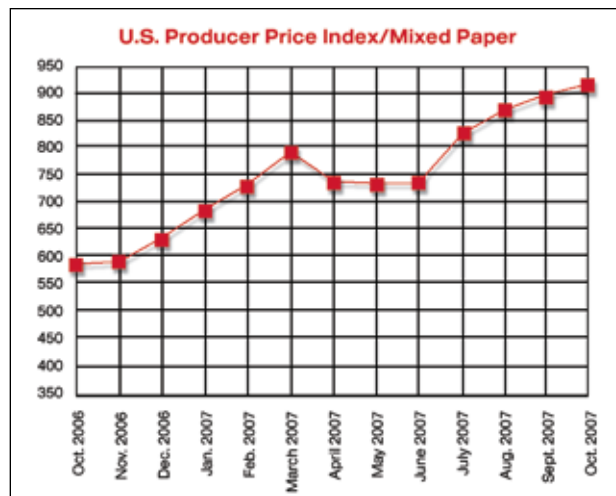
Ranjit Baxi, the new president of BIR's Paper Division, noted that since Oct. 1, European exporters to main Asian ports have been facing freight increases of approximately \$600 per 40-foot container, while further Bunker Adjustment Factor (BAF) increases are anticipated for December. "Exporting is a rather difficult task at the present time," he stated.

Baxi added that Taiwan had banned the export of recovered fiber effective Aug. 1, and, as a result, China will be looking to replace about 50,000 metric tons per year it has previously obtained from Taiwan.

Baxi added that in Europe, Norway and Poland were growing as exporters of recovered fiber to China. Meanwhile, Japan remained "a major player" in the Asian market, having shipped slightly more than 2 million metric tons to other countries in the region during the first half of 2007, including almost 1.7 million metric tons to China.

Michael Kühl, president of the European Recovered Paper Association, as well as the head of the German company Kühl Unternehmungsgruppe, called for paper recyclers to set high quality standards, something that Baxi earlier called for.

Kühl also discussed the progress being made on updating the European list of standard grades of recovered paper



***Index is based on 1982 average prices as 100
Source: U.S. Bureau of Labor Statistics**

and board. He pointed out that a ninth draft, including definition of tolerance levels, has been sent to the Confederation of European Paper Industries.

Reviewing the world markets, Kühl noted that, in addition to freight and currency factors, E.U. exporters have also been forced to contend with revised Waste Shipment Regulations that came into force this past summer. "Freight increases have been a source of particularly acute concern in the U.K., which exports more than 50 percent of its recovered fiber—with a very high proportion of this tonnage going to China, India and other Indian destinations."

ABITIBI, BOWATER COMPLETE DEAL

Abitibi-Consolidated and Bowater Inc. have completed their previously publicized merger. The newly merged company goes by the name AbitibiBowater.

The company notes that it is the third largest publicly traded paper and forest products company in North America and the eighth largest in the world.

AbitibiBowater has its headquarters and executive offices in Montréal, Québec.

According to John Weaver, executive chairman of AbitibiBowater, "By combining Abitibi-Consolidated and

Bowater, we have created a global leader that is well positioned to compete in an increasingly challenging global market. We look forward to drawing on the best practices from both organizations and on the strengths of a proven

management team to deliver greater value to our stockholders, customers, employees and other stakeholders."

Denise Piotrowski, area manager for Abitibi Paper Retriever in the Cleveland area, says, "This is an exciting time for the recycling division and, particularly for the Abitibi Paper Retriever program since this combination creates a stronger, more competitive company with a brighter future. The Abitibi Paper Retriever recycling program is an important part of AbitibiBowater's overall effort to ensure the wise use of resources while managing recycled newsprint manufacturing quality and costs. We encourage all citizens to continue recycling paper at their local school, church or charity," Piotrowski continues.

Following the required divestiture agreed to with the U.S. Department of Justice, AbitibiBowater will own or operate 31 pulp and paper facilities and 35 wood products facilities in the United States, Canada, the United Kingdom and South Korea.

More information is available at the company's new Web site at www.abitibibowater.com.



Marek Skorwider, raw materials purchasing director of Mondi Packaging Paper Swiecie SA of Poland, explained that Polish collections of recovered fiber had increased from less than 900,000 metric tons in 2002 to more than 1.4 million metric tons last year, roughly a 35 percent recovery rate.

Skorwider added that it was possible to increase those collection levels to 3 million metric tons by 2015, though significant investments in collection systems would be needed to reach that level.

Om Bhatia, global head of forest products at Barclays Capital in the United States, outlined the scope for using financial hedging in the "highly volatile" recovered paper market. He identified fixed price swaps and minimum price protection (put option) as two of the most common hedging strategies, adding that these provided operators with an opportunity to minimize their risks. According to Bhatia, uptake of hedging instruments has been "very slow" in Europe, with between 500,000 metric tons and 1 million metric tons hedged throughout the last four years compared to upwards of 10 million metric tons in the United States.

(Additional news about paper recycling markets, including breaking news and pricing information, is available at www.RecyclingToday.com.)

SONOCO ACQUIRES CARAUSTAR FIBER CONTAINER OPERATIONS

Sonoco has completed the acquisition of Caraustar Industries' fiber containers and industrial plastic carriers assets.

The fiber container operations are in Covington, Ga.; Orrville and St. Paris, Ohio; and Stevens Point, Wis. The plastics operations are in New Smyrna Beach, Fla., and Union, S.C.

The fiber operations produce a range of recycled paperboard containers that are used to package adhesives, sealants, lubricating grease and food and non-food products. The plastics operations produce injection-molded and extruded plastic converting cores, thread carriers, film packaging, carpet carriers and adhesive and sealant products.

Sonoco's rigid paper and plastics operations include more than 60 plants in North America, South America, Europe, Asia and Australia.



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