

Growth in production and the market for the Brazilian pulp and paper industry is inevitable, believes Celso Foelkel, President of the Brazilian Technical Association for the Pulp and Paper Industry.

## Brazilian pulp and paper industry is forced to **expand**

BY JUSSI-PEKKA AUKIA PHOTOS BY ALL OVER PRESS/GETTY IMAGES/DUDU TRESCA

Things are going well for the Brazilian pulp and paper industry, and especially for its large export-oriented pulp mills, as raw materials are cheap and production costs are low. The export sector mills are keeping pace with new technology, meaning that they have become continually more efficient. Brazil currently produces more than half of the world's eucalyptus pulp. It is the world's seventh-largest pulp producer and ranks eleventh in global paper production.

"Our pulp mills are state-of-the-art and competitive in capacity. Their output is exported to every corner of the globe," says **Celso Foelkel**, leader of the Brazilian Technical Association for the Pulp and Paper Industry – ABTCP (Associação Brasileira Técnica de Celulose e Papel).

"After its latest extension project has been completed, the largest single mill, at Aracruz Celulose S.A., will produce as

much as one quarter of the country's pulp."

Manufacturers like Klabin Riocell, Cenibra and Bahia Sul are also currently modernising their production lines with a view to conserving the status of Brazil as the world's leading producer of eucalyptus pulp.

Exports aside, Brazil has a large number of manufacturers of paper and packaging products aimed at the home market. Although these local businesses operate on a broad range of technology levels, their market is bound to expand as the country's population of 170 million continues to grow.

"2.6 million new Brazilians are born every year, and so even if the average citizen continues to consume only about 40 kilogrammes of paper a year, it will still be necessary to build a new plant providing 300,000 tonnes of additional manufacturing capacity every three years, just to avoid a paper shortage."



*Brazil currently produces more than half of the world's eucalyptus pulp. Short fibre eucalyptus pulp is ideal for printing and writing paper, and as tissue for soft products.*









Brazil also has a large number of manufacturers of paper and packaging products aimed at the home market, which is bound to expand as the country's population of 170 million continues to grow.

Total consumption may even rise at a sharper rate if residents of Brazil's poorer regions manage to increase their use of paper to match the rate of 80–90 kilo-

grams per year consumed by their wealthier compatriots in the south of the country.

## The industry plays an important social role.

grammes per year consumed by their wealthier compatriots in the south of the country.

### The wonderful eucalyptus

Fortunately Brazil is also a fertile country for growing trees. The Brazilian pulp and paper industry crucially depends on the rapid rate of growth and excellent quality of the eucalyptus for its principal raw material.

“Under favourable conditions a eucalyptus plantation can produce up to 50

cubic meters of wood per hectare per year. Although pine forests achieve production rates of up to 30 cubic meters per hectare per year, you can get more pulp

out of the same volume of eucalyptus wood,” Foelkel notes.

Short fibre eucalyptus pulp is ideal for printing and writing paper, and as tissue for soft products.

“The short fibres form an even surface and the structure of the paper is more porous, so the paper is more opaque than paper products made from long fibre pulp. Soft paper made from short fibre pulp is also softer and smoother than the corresponding long fibre product.”

The tensile and tear strengths of eu-

calyptus products is a little lower than that of products made of long fibre pulp, but the manufacturer can compensate for this by refining the pulp appropriately, by making the product slightly thicker where necessary, or by using long fibre pulp for core layers.

### Pulp for a cost-conscious world

Foelkel predicts that Brazil will continue to focus on eucalyptus pulp in the export sector for a long time to come.

“From the perspective of global pulp markets as a whole, eucalyptus pulp is no longer a marginal product, and it is a very important product to us. As our market share is large in this hardwood pulp sphere, we shall be able to influence the market and purchasers are sure to invite us to bid. It is also easier to manage the logistics of pulp than those of paper products, as batches for purchase and shipment are much larger. Paper sales go



out to a much broader clientele in a much wider variety of product forms.”

Foelkel points out that much better margins can be earned in Brazil from pulp than from paper products:

“Although production and shipping costs for Brazilian eucalyptus pulp sold in Europe currently account for 40–50 per cent of the market price, this is not

## A eucalyptus plantation can produce 50 cubic meters of wood per hectare per year.

the whole of the story. Margins are reduced in particular by the high cost of investment capital. The value of the US dollar and variations in pulp prices also have a major impact on us at all times.”

Fortunately the currency reform of 1994 managed to put a stop to the hyperinflation that had plagued the country at the beginning of that decade, and this significantly improved the operating conditions for mills. The annual rate of inflation in Brazil currently stands at 5–7 per cent.

Foelkel believes that the currency and inflation problems of bygone decades in Brazil were partly the reason why the giant international pulp and paper industry enterprises steered clear of the country for many years:

“Economic and political uncertainty, coupled with the high price of investment capital, have obstructed the flow of international venture capital into the country. Norske Skog and International Paper have now established a bridgehead by acquiring Brazilian enterprises. However, I would prefer to see foreign businesses setting up green field projects here as well.”

### Competitiveness ensures independence

Foelkel considers operational efficiency, the low price of wood and capable management to be the principal strengths of the Brazilian pulp and paper industry:

“Brazilian businesses are managed with the focus on competitiveness. We accept no excuses for failing to operate efficiently. Compared to the international giants, our own enterprises are tiny. This means that if we want to retain control of our own affairs, then we must avoid mistakes.”

Brazilian mills set high standards in environmental thinking, and most mills adhere to the principles of sustainable development:

“To remain competitive and efficient we must adopt the latest technology to conserve energy, water and fibre. However, concern for the environment is not merely a by-product of other technological progress, as nowhere are shareholders willing to see the stock market value of their investment collapse because of some environmental scandal. The

Brazilian authorities have also imposed severe environmental regulations and take care to enforce them. Mills that pollute the environment are forced to solve their problems under pain of closure, and environmental and operating permits are withheld from new plants if they are considered to be potentially harmful to the environment.”

Customers in Europe and North America also require enterprises to have a strict environmental policy and certified quality control systems:

“Raw materials are procured almost entirely from planted forests, of which the industry manages a total of 1.4 million hectares. The industry also maintains a similar area of protected natural forest with a view to conserving biodiversity.”

The Brazilian pulp and paper industry has considerable social significance. It employs about 100,000 workers directly in its mills and in forestry work. Jobs in the sector also tend to be in rural areas where other forms of employment are scarce.

“The indirect employment impact is even greater. For example the rate of paper recycling in Brazil is fairly high at some 40 per cent. Collecting and recycling waste and paper is the business of tens of thousands of families living near the poverty line, which are able to eke out a meagre but honest living in this way. The pulp and paper industry plays an important social role in generating jobs and demand for labour.”

*Brazil is the world's seventh-largest pulp producer. “Our pulp mills are state-of-the-art and competitive in capacity. Their output is exported to every corner of the globe,” says Celso Foelkel, leader of the Brazilian Technical Association for the Pulp and Paper Industry.*

