



Why Södra has been increasing its focus on the tissue market

By Ulf Edman

It's no secret that paper is facing a time of unprecedented challenges from alternative media. I only have to look at my own 19-year old son's behaviour for confirmation of that – he gets his news from the Net, via a mobile phone or digital newspapers. His schoolwork is largely completed with the help of search engines and on-line dictionaries rather than text books. When he's finished his homework, he sends it to his teachers via email. He shops on line, banks on-line and top of his wish list is an iPad so he can also start downloading digital books.

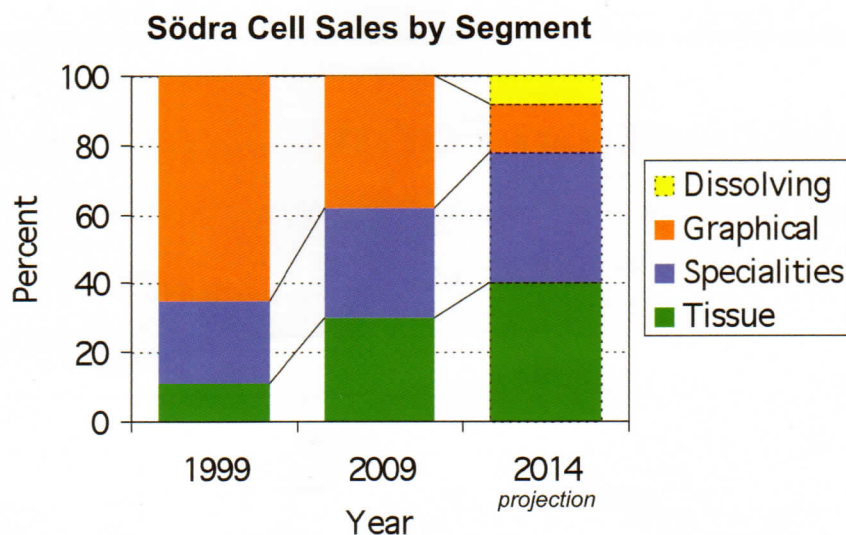
He is typical of his generation in the maturing markets. Great news for Apple, but not great news for those in the business of supplying graphic paper grades which are in long-term decline in Europe.

While Södra's aim is still to be the supplier of choice to its customers in the printing and writing sector, it's clear that concentrating on a declining market does not make best business sense. That's why Södra's focus has been shifting increasingly towards the higher-value paper products, namely speciality and tissue markets, and most recently, dissolving pulp for textile applications. During the last quarter of 2011, the company's mill at Mörrum, Sweden will start up a 170,000-ton/yr dissolving pulp line.

In contrast to the graphic paper segment, the market for speciality and tissue products, like the market for dissolving pulp, is growing worldwide. Tissue consumption growth is projected to be strongest in China over the next five years, but it's an upward growth curve globally. According to RISI, world demand is set to increase to some 40 million tons by 2018, up from just over 30 million tons in 2011. The European market today is around 7.8 million tons, of which Germany is the largest consumer (19%) followed by the UK (13%) and France (11%).

Södra's sales profile is changing accordingly. Tissue customers accounted for around 10% of Södra's market pulp sales in 1999, but this figure is projected to rise to around 40% of sales by 2014. With a European

Target sales within tissue



Södra Cell International



market share of 25%, in theory, around one in four tissue rolls in Europe today already contain Södra's pulp.

Demand for tissue products may be robust, but Södra's customers are increasingly demanding and extensive R&D is essential to maintain a lead role in supplying them. Södra Innovation, the company's R&D department employs around 50 people, in addition to which, Södra is involved with research programmes such as Innventia's Tissue Research Cluster and TERP (Tissue Education Research Programme) at Karlstad University. Projects include energy saving, tactile evaluation programmes, improving absorption and dewatering efficiency, as well as creping and coating.

Network strength continues to be of paramount importance across all tissue applications, as well as low water retention value, while high brightness is still demanded for toilet tissue and napkins/facial grades. Tissue mills want strength for runnability combined with high bulk, ease of embossing and laminating, and all with minimal energy consumption.

Södra is mainly a softwood supplier and while hardwood is associated with softness, the company is always looking at ways to get more softness out of softwood pulp to make it appropriate for toilet tissue while retaining its trusted strength and runnability characteristics, and keeping production costs down. Two of the main factors influencing production costs are dewatering and drying, which is why TERP's current focus for tissue is on dewatering and energy efficiency, and to a lesser extent, creping.

The challenge is to develop a pulp which can be more easily dewatered and to this end, various types of pulps are being tested for optimal dewatering efficiency and product quality. The TERP teams are also looking for additives that can improve water removal with minimal use, since tissue products are used in close contact with the body. The definitive tissue pulp will always be a moving target.

Ulf Edman is president of Södra Cell International