

NEWS RELEASE



For Immediate Release

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US PULP & PAPER CHEMICAL DEMAND TO REACH \$8.7 BILLION IN 2011

A shift in product mix toward higher-priced chemicals will support pulp and paper chemical demand, which will reach \$8.7 billion in 2011. In general, pricing for pulp and paper chemicals jumped abnormally during the 2004 to 2006 period due to a rise in energy costs. However, price increases should moderate going forward. Increases in paper and board production will support overall demand for chemicals, as will the use of recycled paper and trends toward brighter paper and board products that meet international standards. These and other trends are presented in ***Pulp & Paper Chemicals***, a new study from **The Freedonia Group, Inc.**, a Cleveland-based industry research firm.

Specialty additives will show the fastest growth and account for half of total chemical demand in the US pulp and paper industry in value terms, but only one-quarter of the total in volume terms. The use of recycled paper and continuing efforts to reuse process water will support demand for water treatment chemicals such as biocides, coagulants and flocculants. Specialty products also help to improve the strength, water resistance, opacity, and other performance and aesthetic characteristics of paper and can be used to improve productivity, protect equipment and machinery, and reduce waste and emissions.

Fillers and coating pigments will continue to represent the largest pulp and paper chemical segment in terms of volume. Fillers are widely used by papermakers to reduce the amount of more expensive fibers. Growth will largely be centered in calcium carbonates, which are the principal filler and coating chemicals in use. Clays will remain widely used, although growth will be below average as kaolins lose ground to both precipitated and ground calcium carbonate.

The use of recycled paper and board will continue to support demand for a wide variety of chemicals. Although prices for recovered paper have risen significantly in recent years as strong demand from developing countries (especially China) tightened global supplies, recycled fibers will remain cheaper than fibers produced from virgin wood pulp. The dependency of the pulp and paper industry on recycled fibers, for both environmental and economic reasons, induces demand for fillers, bleaching and deinking chemicals, and a range of water treatment chemicals designed to remove the large quantities of impurities and contaminants which accompany recycled fiber use.

US PULP & PAPER CHEMICALS (million dollars)					
Item	2001	2006	2011	% Annual Growth	
				2001-2006	2006-2011
Pulp & Paper Chemicals	<u>5986</u>	<u>7650</u>	<u>8725</u>	5.0	2.7
Specialty Additives	2988	3805	4495	5.0	3.4
Filler & Coating Pigments	1447	1605	1745	2.1	1.7
Bleaching & Deinking Chemicals	974	1315	1495	6.2	2.6
Pulping Chemicals	577	925	990	9.9	1.4

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Pulp & Paper Chemicals (published 02/2008, 292 pages) is available for \$4,500 from The Freedonia Group, Inc., 767 Beta Drive, Cleveland, OH 44143-2326. For further details, please contact Corinne Gangloff by phone 440.684.9600, fax 440.646.0484 or e-mail pr@freedoniagroup.com. Information may also be obtained through www.freedoniagroup.com.

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