

# Survey Says Forest, Paper Industry on the Brink of Change

Jan. 6, 2010 - Forest, paper and fibre-based packaging (FPP) companies face a changed world requiring fundamental transformation within the industry, according to PricewaterhouseCoopers (PwC) recent survey of 33 industry executives based in North and Latin America, the Middle East, Europe, Africa and Asia.

The survey showed that while some European and North American CEOs believe the worst is over, they anticipate a long road ahead and a slow recovery.

All CEOs in the mature markets agree that it's unlikely that demand will return to pre-financial crisis levels due to the rise of digital media for instance, PwC said.

The report points out that for executives in the emerging markets such as China, perspectives differ more than ever from those in mature markets, as they face continuing strong growth and a lack of structural decline for paper products. "Every Asian CEO we spoke to was bullish on the future. Indeed, executives told us demand is already recovering somewhat and they see FPP as a growing industry for their region," PwC said in a written statement.

"The economic crisis exacerbated existing market declines and precipitated steep drops in demand in many forest, paper and packaging companies," explained Clive Suckling, global forest, paper and packaging leader at PricewaterhouseCoopers.

"The industry is standing on the brink of major changes and the need for transformation is generally accepted," Suckling said

"Executives need to look beyond short-term survival to the long-term future of their companies and the new challenges ahead. For instance every forest, paper and packaging company needs a considered strategy around bioenergy and raise the profile of its role in creating sustainable products," Suckling noted.

For individual companies, CEOs told PwC that there is a need to:

- Adjust capacity as the first step to long-term survival. Consolidation may be a precondition to achieving significant reductions.
- Improve cost structures. But not just cutting costs — increasing process innovation and efficient use of raw materials e.g. through alternative uses of wood fibre, notably by producing energy and fuels, to reduce costs in existing business and generate new revenues.
- Continue changing existing business models to maintain or restore the health of core businesses.
- Become far more innovative in every realm of existing operations and in developing new businesses and collaborations.

Furthermore, the survey reveals that CEOs believe that too many people still have a negative perception of the industry's environmental impact, when in reality the overall footprint is significantly less than is popularly believed. For the industry, there is a need to positively influence key stakeholder groups (i.e. policymakers, customers and consumers at large) to position FPP as a truly sustainable industry that derives the most value from every tree. Potential collaborations and new revenue streams resulting from new or alternative uses of fibre and biomass (energy, chemicals etc) may fundamentally alter the structure of the entire industry in due course.

"Today's forest, paper and packaging executives are facing decisions which more than ever could impact their companies for decades to come," Suckling said. "All will need to ensure that the main