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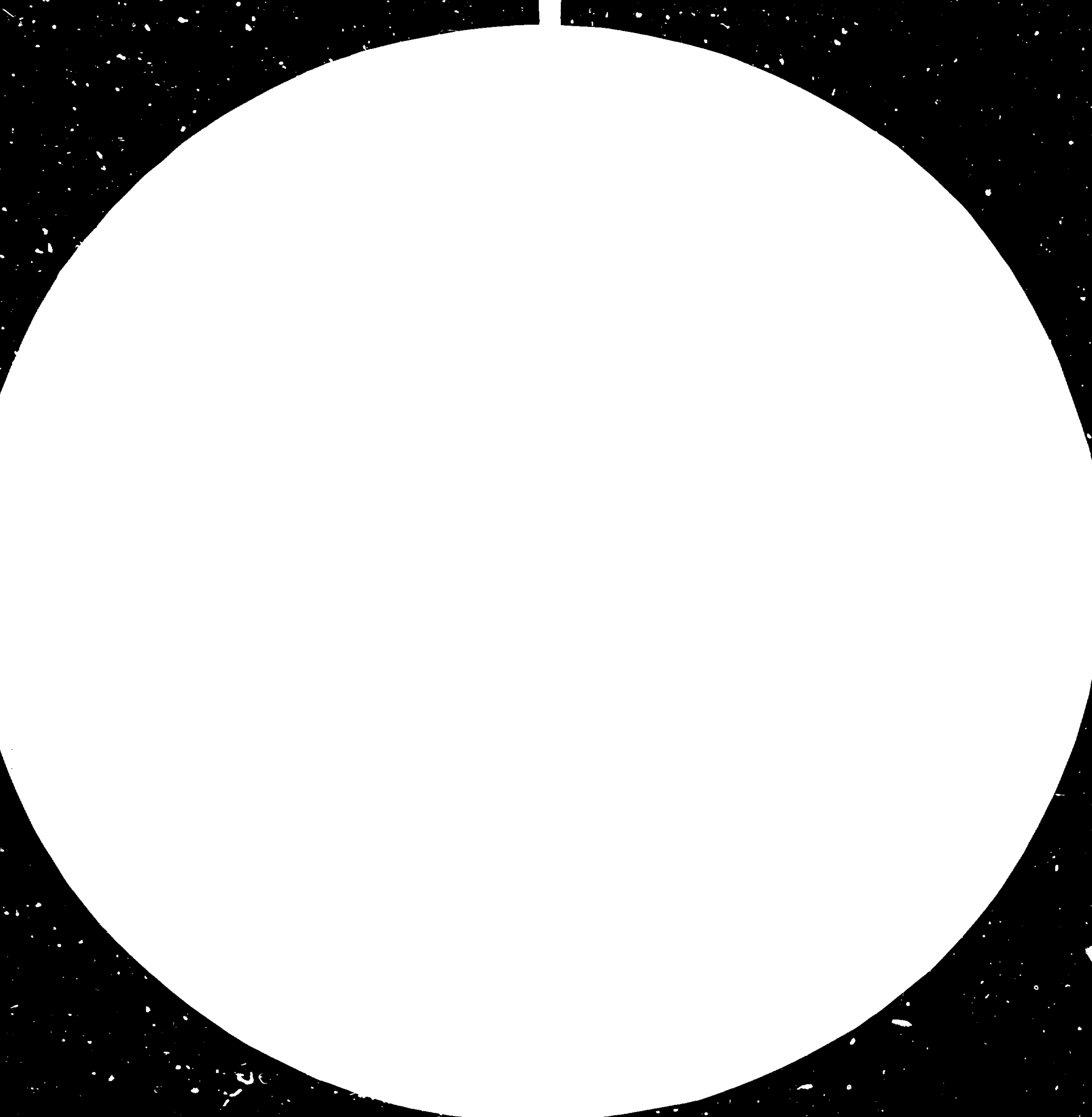

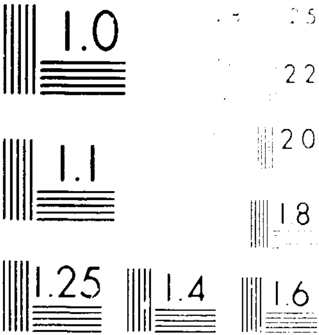
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THE PHILIPPINE PULP AND PAPER INDUSTRY*

by

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INTRODUCTION

Perhaps, no other single commodity is so very closely associated or interlinked with our daily existence than paper. I have heard it said that from the time man gets up in the morning until he retires to bed at night, he will have encountered varied uses for paper. It is hard to conceive of schools, banking and financial institutions, business and government offices being able to continue to operate without paper. Mass communications and the press media would bog down and people would be kept uninformed of events happening outside the home.

EARLY BEGINNINGS

The pulp and paper industry in the Philippines has made impressive strides since 1941 when the first pulp and paper mill started operations in February of that year. On account of the outbreak of World War II in December 1941, it was forced to cease operations, resuming only in 1949.

The decade after 1949 saw the establishment of one paper mill after another. Up to 1950, ten paper mills had entered the industry but the existence of two small mills was short-lived. From 1961 to 1970, six mills were set up, and during the 70's, additional twelve mills joined the already mushrooming industry.

PRESENT DIMENSIONS OF THE INDUSTRY

Today, there are 24 pulp and paper companies operating 26 mills in various parts of the country with an aggregate annual rate capacity of 304,000 metric tons of pulp and 482,000 metric tons of paper and paperboard. Pulp capacity represents only about 63% of total paper/paperboard capacity.

Six mills are fully integrated. Of the 20 non-integrated mills, 4 operate pulp mills only and 16 operate paper mills only.

Most of the mills are concentrated in Luzon. They number 21, 13 of which are clustered in the Metro Manila area and environs. Two mills are located in Visayas in central Philippines and three mills are in Mindanao in southern Philippines. These 26 mills range all the way from the provinces of Abra in the north down to northern Mindanao in the south.

The existing mills are equipped to produce practically all widely-used types and grades of paper and paperboard. In the paper group, the industry produces newsprint, printing and writing paper, sanitary paper and tissues, cigarette paper, industrial kraft paper, grocery grade and wrapping kraft paper, containerboard, and many other paper grades.

In the paperboard group, the industry produces practically all types or grades of paperboard.

The local pulp mills produce pulp from abaca, from sugarcane bagasse, and from local hardwood species.

The industry has total assets exceeding 3 billion pesos.

It employs a labor force of approximately 18,000 persons.

INDUSTRY TRENDS

During the past three years, 1977 to 1979, production of paper and paperboard averaged 347,000 metric tons annually, representing a capacity utilization of 75%. Production in 1978 declined by 4% compared to that of 1977. However, production in 1979 registered an increase of 4% over that of 1978.

Sales of paper/paperboard averaged about 335,000 metric tons annually during the same period. Sales in 1978 increased by less than 1% over that of 1977. In 1979, sales increased by 6% over that of 1978.

Sales performance, as per cent of production, were: in 1977, 93%; in 1978, 97%; and in 1979, 99.7%. The record of 1979 shows that practically all the tonnage produced in that year was sold.

PER CAPITA CONSUMPTION

The Philippines is listed in the 1979 Annual Review Number of Pulp and Paper International with a per capita consumption of 11 kgs. in 1978. There was no improvement in per capita consumption of paper/paperboard in 1979.

The Philippine consumption level of 11 kgs. is way below that of Singapore's 80 kgs. and Malaysia's 30 kgs. However, we consumed more paper than Indonesia with a per capital consumption of only 3.5 kgs. and Thailand with 8.5 kgs.

EXPANSION PLANS OF EXISTING MILLS

The Paper Industries Corporation of the Philippines (PICOP) plans to produce a new product at its Lanao del Norte Mill. This calls for the production of 25,400 tons of bleached hardwood pulp. The paper mill will produce an additional 5,400 tons of containerboard products. Plans are also in the making for the expansion of its newsprint capacity at the Surigao del Sur mill. PICOP's expansion plans are projected to produce an aggregate of 600 metric tons daily in its two mills.

Manila Paper Mills, which presently operates a 66,000 TPY paper mill in Metro Manila, is planning to put up an integrated pulp and paper mill in Butuan City in Mindanao involving an investment of about US$400 million. The pulp mill is projected to produce 190,000 metric tons of bleached hardwood kraft pulp and the paper mill will produce 165,000 metric tons of printing and writing paper.

PROPOSED NEW MILLS

A number of project proposals envisions the establishment of new paper mills which, if finally implemented, will boost industry capacity. Among the proposed new mills, the following may be mentioned:

o People's Paper Mills, Inc., proposes to establish a 6,000 TPY paper mill in Nueva Ecija (tentative) to produce printing and writing paper from a combination of rice straw and imported woodpulp. This is a joint venture project between Philippine entrepreneurs and the People's Republic of China. Total investment is estimated at 53.26 million pesos.

o Luxembourg (Philippines) Paper, Inc. proposes to establish a 15,000 TPY paper mill in Iloilo to produce cultural paper from a combination of rice straw and imported woodpulp.

o Orion Paper Industries, Inc., proposes to establish a 38,400 TYP paper mill in Bataan to produce fine paper from a combination of rice straw and imported woodpulp. At least 1/2 of the estimated production is intended for export.

o Paragon Paper Industries, Inc. expects to produce 24,750 TPY of coated board. The mill site is in Bataan.

o Asgard Corrugated Box Mfg. Corp. is presently installing a paper machine with a capacity of 60 tons per day to produce coated board.

o The Philippine Government is pushing through its plans to put up an export-oriented integrated pulp and paper mill with Mindanao as the probable mill site. This is one of the eleven major industrial projects being programmed for priority implementation by the government. This project is the Philippine Government's contribution to the ASEAN regional scheme of industrial complementation. The preparation of the project study is presently being undertaken by the Arthur D. Little management group and is expected to be completed by the end of the year.

THE PULP AND PAPER MANUFACTURERS ASSOCIATION

The Philippines has had a national industry association for pulp and paper since 1959. The Pulp and Paper Manufacturers Association, or PULPAPEL for short, was organized and incorporated as a non-stock corporation in 1959 and all these years, it has functioned as the sole national industry association representing the pulp and paper industry. PULPAPEL has been active in holding dialogues with government agencies and in presenting industry problems to the attention of the government.

PULPAPEL presently has a membership of 16 major pulp and paper companies operating 18 mills, representing about 98% of total industry capacity.

THE ASEAN PULP AND PAPER INDUSTRY CLUB

I am tempted to go outside Philippine borders and touch briefly on the ASEAN pulp and paper industry. I am mentioning this because it was PULPAPEL which spearheaded the organization of what is now known as the ASEAN Pulp and Paper Industry Club. APPIC, as it is called for short, formally came into being at an organizational meeting held in Jakarta, Indonesia in April 1978, at which meeting, the Philippines was elected Chairman for a period of two years. APPIC holds meetings of its Board of Directors at least twice a year. The first biennial conference was held last June 1980 in Kuala Lumpur, Malaysia, at which meeting, the chairmanship of the club was transferred to Thailand. The next Board meeting of APPIC will be held in Bali, Indonesia, next month.

The constituent members of APPIC are the following:

Indonesian Pulp and Paper Association
Malaysian Pulp and Paper Products Industry Group
Pulp and Paper Manufacturers Association (Philippines)
Singapore Pulp and Paper Products Industries Council
The Thai Pulp and Paper Industries Association.

The APPIC members exchange regularly industry status reports as well as information on proposed expansions of industry capacity. It is presently engaged in a study of the market for pulp and paper in the region. It is also looking into the feasibility of developing regional quality standards for pulp and paper for possible adoption by the five ASEAN countries.

During the APPIC Board meeting held in Manila last July 1979, the members approved in principle the establishment of a security paper mill as an ASEAN regional cooperation project to supply the requirements of the five ASEAN countries for security and safety paper and certain grades of specialty paper. APPIC has approached UNIDO for assistance in funding the preparation of the pre-feasibility study to determine the viability of the project.

KEEPING ABREAST OF ADVANCES IN TECHNOLOGY

The Philippine pulp and paper industry is very fortunate indeed that it has been given a chance to host in Manila a working group meeting on pulp and paper technology where industry experts from developing, as well as developed, countries are expected to deliver technical papers and exchange ideas and experiences in their respective fields of specialization. For this, we gratefully acknowledge the assistance and cooperation given by the United Nations Industrial Development Organization (UNIDO) and the Food and Agriculture Organization of the United Nations (FAO). It is hoped that closer technical cooperation among developing countries will be achieved. This working group meeting will enable the local industry to keep abreast of advances in technology in pulp and papermaking.

PROSPECTS OF THE INDUSTRY

What is the future of the Philippine pulp and paper industry? The immediate short-run prospects appear uncertain. Demand in the domestic market is down. The mills are saddled with large inventories and mounting receivables. Raw material costs are constantly increasing. It is affected by increases in oil costs. Frequent power failure plays havoc on the mills' operations. And, not the least of the industry's problems, is technical smuggling of imported paper through undervaluation, misclassification, and misdescription.

However, the situation is not entirely without its rosy fringes. As we have observed with our industry's ups and downs, the paper industry follows the trend of general business and economic conditions. We entertain high hopes of weathering the presently depressed condition of the industry.

We are heartened by the assurances of our government leaders of an all-out assistance to industries that are plagued by problems that they cannot, by themselves, solve without the help of the government. Not so long ago, the Philippine Board of Investments and the Ministry of Industry created an inter-agency body to look into the situation and problems of the pulp and paper industry and to recommend actions that are called for on the basisof its investigation and study. This study is aimed at the rationalization of industry operations and the modernization of industry facilities.

We, in the Philippine pulp and paper industry, look towards the future with optimism, enthusiasm, and courage.

PHILIPPINES

PROFILE OF THE PULP AND PAPER INDUSTRY

1. No. of existing mills	:	26
2. No. of integrated mills	:	6
No. of non-integrated mills:		
Pulp mills	:	4
Paper/paperboard mills	:	16
3. Geographical location of existing mills:		
Luzon	:	21
Visayas	:	2
Mindanao	:	3
4. Annual rated capacity, MT:		
Pulp	:	303,500
Paper/paperboard	:	482,000
5. Total Assets, 1979	:	3.5 billion pesos
6. Total Sales, 1979	:	2.5 billion pesos
7. Employment, 1979	:	18,000
8. Production, 1979, metric tons:		
Pulp	:	187,000
Paper/paperboard	:	350,000
Capacity utilization, %	:	75
9. Sales, 1979, metric tons:		
Paper/paperboard	:	349,000
Sales, as % of Production	:	99.7
10. Importation, 1978:1/		
Pulp and waste paper, metric tons	:	93,988
-do- , CIF US$	:	25,018,295
Paper/paperboard, metric tons	:	95,039
-do- , CIF US$	:	48,413,745
11. Exports, 1978:1/		
Pulp and waste paper, metric tons	:	3,864
-do- , CIF US$	:	4,749,846
Paper/paperboard, metric tons	:	570
-do- , CIF US$	:	275,203
12. Increase in production, 1979/1978,%:		
Pulp	:	4
Paper/paperboard	:	4
13. Per capita consumption of paper, 1979, kg.	:	11

1/ 1978 Foreign Trade Statistical Yearbook, NCSO.

Prepared by: Pulp and Paper Manufacturers Association, Inc. (PULPAPEL)

PHILIPPINES

GEOGRAPHICAL LOCATION OF PULP AND PAPER MILLS

LUZON

1. Aclem Paper Mills, Inc.
   San Pedro, Laguna

2. Albay Agro-Industrial Development Corp.
   Malinao, Albay

3. Arco Pulp and Paper Co., Inc.[1]
   Las Piñas, Metro Manila

4. Bataan Pulp and Paper Mills, Inc.
   Samal, Bataan

5. Canlubang Pulp Manufacturing Corporation
   Canlubang, Laguna

6. Cellophil Resources Corporation
   Bo. Gaddani, Tayum, Abra

7. Container Corp. of the Philippines
   Balintawak, Quezon City, Metro Manila

8. Eastern Paper Mills, Inc.
   Bo. Calumpang, Marikina, Metro Manila

9. Globe Paper Mills
   Malabon, Metro Manila

10. Isarog Pulp and Paper Co., Inc.
    Ligao, Albay

11. Kimberly-Clark Philippines, Inc.
    San Pedro, Laguna

12. Liberty Paper Mills, Inc.
    Valenzuela, Metro Manila

13. Manila Paper Mills, Inc.
    Sangandaan, Quezon City, Metro Manila

14. Paperland Incorporated
    Balintawak, Quezon City, Metro Manila

15. Philippine Paper Mills, Inc.
    Gagalangin, Tondo, Manila

16. Premier Paper Corporation
    Manggahan, Pasig, Metro Manila

17. Scott Paper Philippines, Inc.
    Baesa, Quezon City, Metro Manila

1/ Destroyed recently by fire.

LUZON (Cont'd.)

18. United Pulp and Paper Co., Inc.
    Calumpit, Bulacan

19. Vanson Paper Industrial Corporation
    Balintawak, Quezon City, Metro Manila

20. Worldwide Paper Mills, Inc.
    a. Baler, San Francisco del Monte
       Quezon City, Metro Manila
    b. Muntinlupa, Metro Manila

VISAYAS

1. Central Azucarera de Bais-Paper Division
   Bais, Negros Oriental

2. Utility Enterprises Corporation
   Danao City, Cebu

MINDANAO

1. Menzi Development Corporation
   Talakag, Bukidnon

2. Paper Industries Corp. of the Philippines (PICOP)
   a. Bislig, Surigao del Sur
   b. Baloi, Iligan, Lanao del Norte

SOURCE: Pulp and Paper Manufacturers Association, Inc. (PULPAPEL)

PHILIPPINES

CHRONOLOGICAL LIST OF PULP AND PAPER MILLS
(By Year of Operation)

1941	Central Azucarera de Bais-Paper Division[1]
1951	Philippine Paper Mills, Inc.
1954	Worldwide Paper Mills, Inc.
1957	Eastern Paper Mills Co., Ltd.[2]
1958	Manila Paper Mills, Inc.
1959	Globe Paper Mills Interwood Paper Mills[3]
1960	Arco Pulp and Paper Co., Inc.[4] Eastern Paper Mills, Inc. (Marikina Mill)
1961	Premier Paper Corporation Scott Paper Philippines, Inc.
1962	Bataan Pulp and Paper Mills, Inc. Container Corporation of the Philippines
1963	Aclem Paper Mills, Inc. Kimberly-Clark Philippines, Inc.
1972	Canlubang Pulp Manufacturing Corporation Paper Industries Corp. of the Philippines (PICOP) Rustan Pulp and Paper Mills, Inc.[5]
1973	Menzi Development Corporation United Pulp and Paper Co., Inc.
1974	Liberty Paper Mills, Inc.
1975	Isarog Pulp and Paper Co., Inc.
1976	Albay Agro-Industrial Development Corporation
1977	Paperland Incorporated Vanson Paper Industrial Corporation
1980	Cellophil Resources Corporation Utility Enterprises Corporation

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1/ Suspended operations during World War II; resumed in 1949.
2/ Baesa Mill was acquired by Scott Paper Philippines, Inc.
3/ Not in operation.
4/ Destroyed recently by fire.
5/ Now merged with PICOP.

SOURCE: Pulp and Paper Manufacturers Association, Inc. (PULPAPEL)

PHILIPPINES

PULP AND PAPER MANUFACTURERS ASSOCIATION, INC.
(PULPAPEL)

	Member-Firms	Represented By/ Position in PULPAPEL
1.	Aclem Paper Mills, Inc.	Atty. Pedro G. Tayag Director
2.	Bataan Pulp and Paper Mills, Inc.	Mr. Francisco P. Inocencio Director
3.	Cellophil Resources Corp.	Mr. Claudio B. Altura Director
4.	Central Azuc. de Bais-Paper Division	Mr. Mariano Lim Director
5.	Container Corp. of the Phil.	Atty. Delfin G. Sy Treasurer-Director
6.	Eastern Paper Mills, Inc.	Mr. Francisco P. Monge Executive Director
7.	Globe Paper Mills	Mr. Lim Se Keng Director
8.	Kimberly-Clark Phils., Inc.	Atty. Felicito M. Domingo Director
9.	Manila Paper Mills, Inc.	Mr. Vicente O. Novales President-Director
10.	Menzi Development Corp.	Mr. Andrew L. Sha Director
11.	Paper Industries Corp. of the Philippines	Mr. Gabriel R. Formoso Director
12.	Philippine Paper Mills, Inc.	Mr. Jose Y. Gan
13.	Premier Paper Corporation	Atty. Philip Ty Director
14.	Scott Paper Phils., Inc.	Mr. Jose A. de Castro Asst. Treasurer-Director
15.	United Pulp and Paper Co., Inc.	Mr. Roberto S. Provido Director
16.	Worldwide Paper Mills, Inc.	Mr. Leonardo B. de Ocampo 1st Vice Pres.-Director