



**CHEMICAL MARKET
PULP SERVICE**

JUNE 2004

**WORLD
DOWNTIME
REPORT**

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Note: All data presented in this report are generated by Valois Vision Marketing utilizing publicly available information along with internally generated series.

“DOWNTIME”

Throughout this report, we define “downtime,” in an aggregate sense, as ***the difference between production and practical maximum capacity.***

Accordingly, whenever a country or region produces at ***more than*** practical maximum capacity, we show ***negative downtime.***

“ACTUAL”

The downtime we report as “actual” represents the latest available data.

That includes keeping current with all revisions from all sources, which is why the “actual” numbers sometimes change after the fact.

“NORSCAN,” “WORLD-14,” “WORLD-19” and “OTHER”

NorScan: Canada, the U.S., Sweden, Finland and Norway.

World-14: Argentina, Austria, Brazil, Chile, France, Belgium, Japan, South Africa, Morocco, Spain, Portugal, Swaziland, New Zealand and South Korea.

World-19: NorScan and World-14.

Other: Germany, Indonesia, Russia, Switzerland, China, Australia, Thailand, Taiwan, Czech Republic, Slovakia, Mexico.

Producers' intentions for the most part were to take their maintenance downtime in May; however, production was much stronger than many — including us — expected. The shortfall was due simply to cancelled outages: executives decided to take advantage of the strong market and high prices while they could, the rationale being that maintenance downtime would be taken in Q3 when a market correction was possible.

Not surprisingly, the more pulp produced in May heightened the risk of causing the market to collapse anyway. But, since decision-makers think about trying to beat the competition, and then everyone follows suit, little or no competitive advantage is gained. In fact, all producers lose when prices collapse.

Our estimate for delayed or cancelled downtime in May is between 100,000 and 125,000 tonnes for World-19 producers. Some of it will be taken at a later date — probably in Q3 — but these changes are not reflected in this report since producers have kept this a secret; rightfully so, NBSK prices have yet to fall. However, hardwood prices remain weak, relatively speaking.

A point worth noting: the longer maintenance downtime is delayed, the higher the risk of an unplanned outage!

In June, intended downtime has reached 255,000 tonnes worldwide, down from 337,000 recorded in May. Both softwood and hardwood outages are pretty evenly matched.

In July and August, we expect outages to materialize as mills face the fact that the risk of equipment failures increases almost exponentially the longer they are delayed. So far, 370,000 tonnes of downtime have been recorded for these two months. In September, 269,000 tonnes have been identified.

In Q4, we expect mills to run as full as possible, again delaying downtime until a later date; however, northern mills will not be able to delay their maintenance for too long, due to freezing weather.

As long as prices remain at current levels or rise further, producers will try to maximize output at the risk of unplanned downtime. In the end, it almost becomes a gamble as to how long a mill can run before it is forced down, either by a mechanical problem or a market collapse.

Downtime and Operating Rates

Monthly

TOTAL, ALL GRADES

000 tonnes

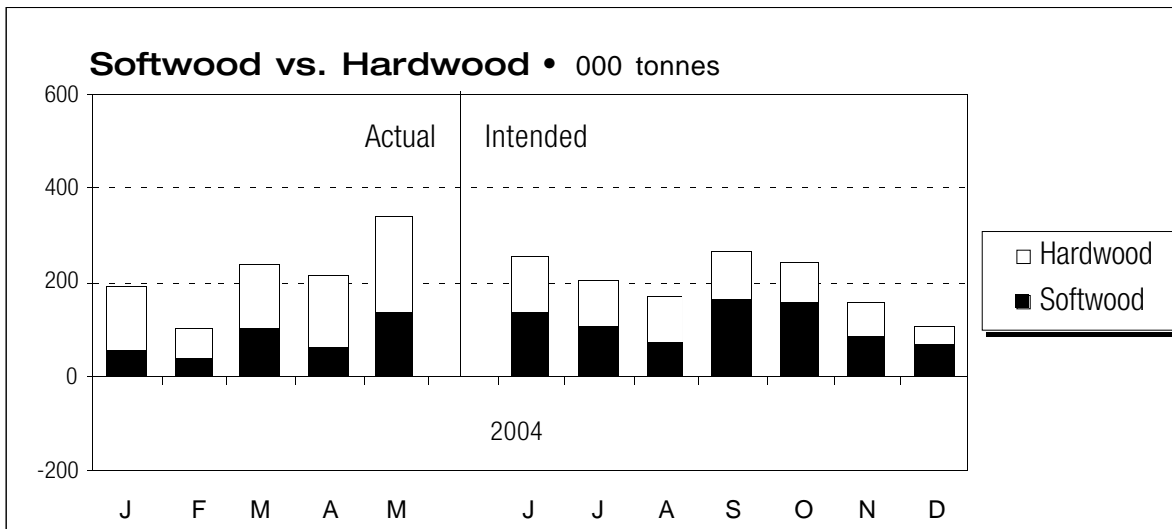
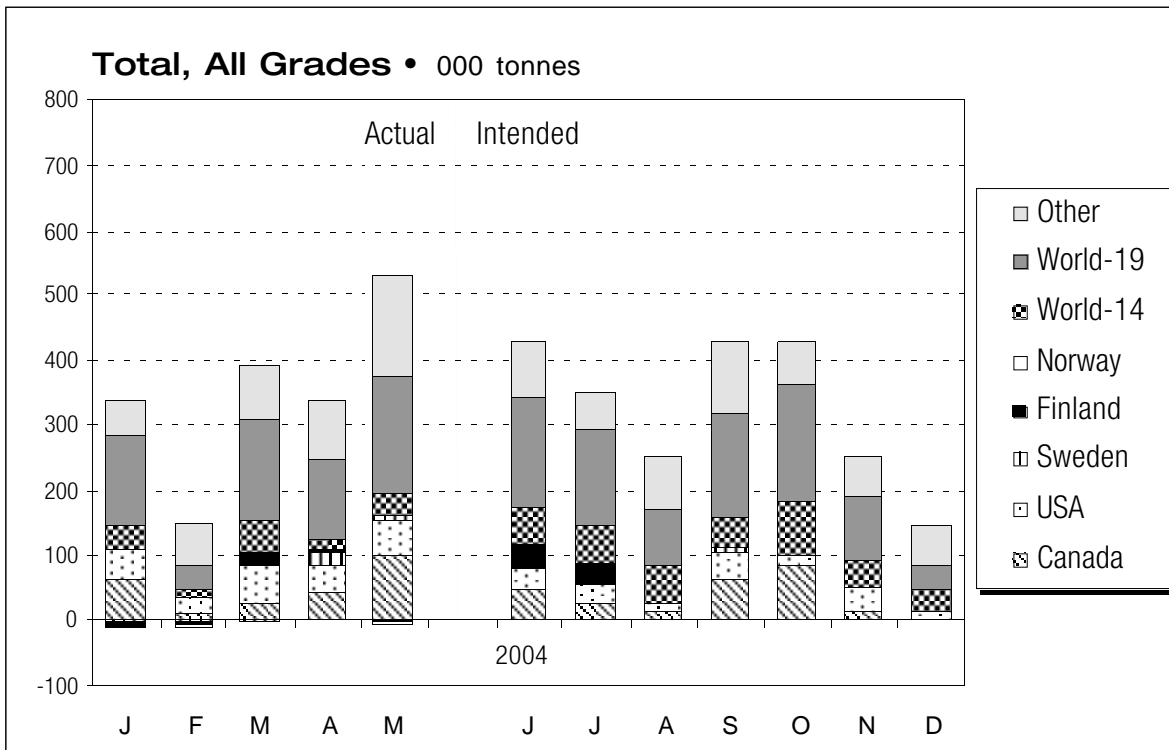
Actual 2004							Intended 2004										
	JAN	FEB	MAR	2004 Q1	APR	MAY	JUN	2004 Q2	JUL	AUG	SEP	2004 Q3	OCT	NOV	DEC	2004 Q4	2004 TOTAL
CANADA	67	7	26	100	43	101	45	189	26	14	67	107	87	12	0	99	494
Op. Rate	91%	99%	97%	95%	94%	86%	94%	91%	97%	98%	91%	95%	88%	98%	100%	96%	94%
USA	42	24	59	125	41	52	37	130	29	12	38	79	13	39	14	66	400
Op. Rate	94%	96%	92%	94%	94%	93%	95%	94%	96%	98%	95%	96%	98%	95%	98%	97%	95%
SWEDEN	(4)	(4)	(2)	(10)	20	10	0	30	0	0	8	8	0	0	0	0	28
Op. Rate	101%	101%	101%	101%	94%	97%	100%	97%	100%	100%	98%	99%	100%	100%	100%	100%	99%
FINLAND	(6)	(4)	21	11	5	(5)	37	37	35	0	0	35	0	0	0	0	82
Op. Rate	103%	102%	91%	98%	98%	102%	83%	95%	85%	100%	100%	95%	100%	100%	100%	100%	97%
NORWAY	0	(2)	(3)	(5)	(1)	(3)	0	(4)	0	0	0	0	0	0	0	0	(9)
Op. Rate	100%	107%	109%	105%	103%	109%	100%	104%	100%	100%	100%	100%	100%	100%	100%	100%	102%
NORSCAN	99	22	100	220	108	155	118	382	90	26	113	228	100	51	14	165	995
Op. Rate	95%	99%	95%	96%	95%	92%	94%	94%	96%	99%	94%	96%	95%	97%	99%	97%	96%
WORLD-14	38	16	51	105	15	30	55	99	56	60	46	162	82	45	30	156	522
Op. Rate	97%	99%	96%	97%	99%	98%	95%	97%	96%	95%	96%	96%	93%	96%	98%	96%	96%
WORLD-19	137	37	151	325	123	185	173	481	145	86	159	390	182	95	43	321	1,517
Op. Rate	96%	99%	95%	97%	96%	94%	95%	95%	96%	97%	95%	96%	95%	97%	99%	97%	96%
OTHER	56	64	86	206	92	152	83	326	60	79	110	249	65	60	60	185	966
Op. Rate	92%	90%	88%	90%	87%	79%	88%	85%	92%	89%	84%	89%	91%	92%	92%	91%	89%
WORLD	193	101	237	531	215	337	255	807	205	165	269	639	247	155	103	505	2,483
Op. Rate	95%	97%	94%	95%	95%	92%	93%	93%	95%	96%	93%	95%	94%	96%	97%	96%	95%

SOFTWOOD vs. HARDWOOD

000 tonnes

Actual 2004							Intended 2004										
	JAN	FEB	MAR	2004 Q1	APR	MAY	JUN	2004 Q2	JUL	AUG	SEP	2004 Q3	OCT	NOV	DEC	2004 Q4	2004 TOTAL
Softwood	55	37	98	190	60	131	133	324	103	72	161	336	157	81	64	302	1,151
Hardwood	138	65	139	341	155	206	123	483	102	93	108	303	90	75	39	204	1,332
	193	101	237	531	215	337	255	807	205	165	269	639	247	155	103	505	2,483

Source: VVM



Source: VMM

Downtime and Operating Rates

Quarterly

TOTAL, ALL GRADES

000 tonnes

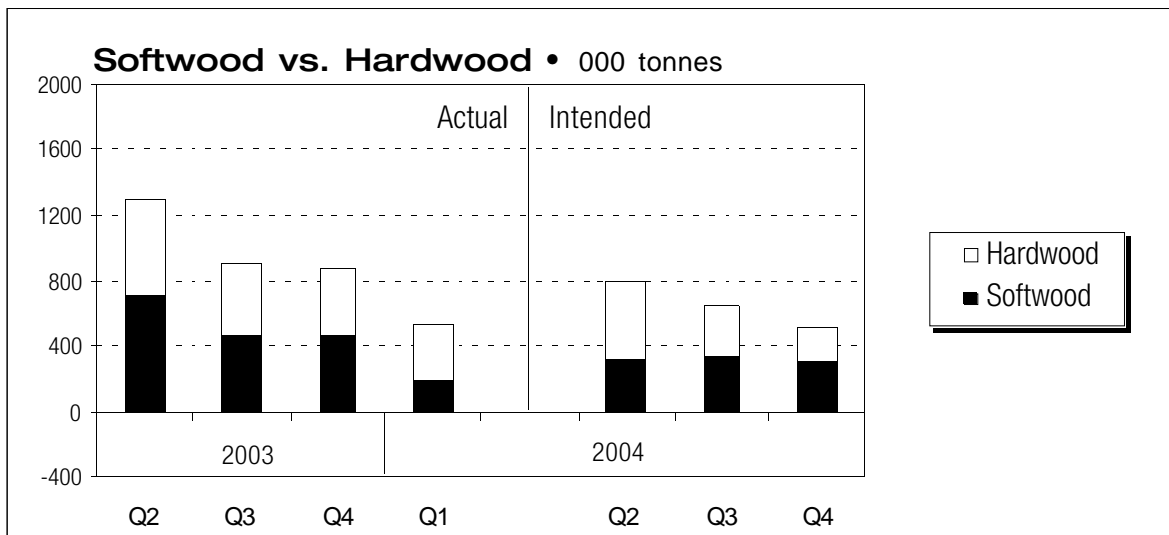
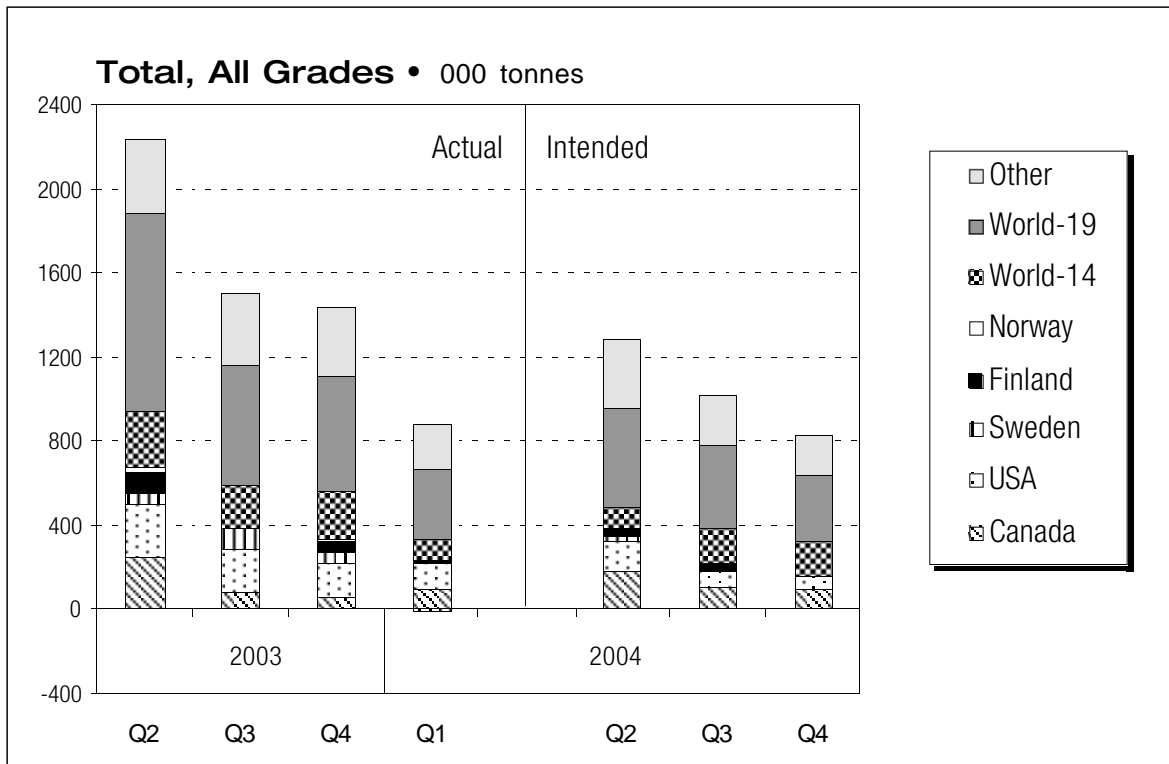
Actual 2003/04						Intended 2004			
	Q2/2003	Q3/2003	Q4/2003	2003 TOTAL	Q1/2004	Q2/2004	Q3/2004	Q4/2004	2004 TOTAL
CANADA	245	82	49	411	100	189	107	99	494
Op. Rate	89%	96%	98%	95%	95%	91%	95%	96%	94%
USA	258	201	176	928	125	130	79	66	400
Op. Rate	88%	91%	92%	89%	94%	94%	96%	97%	95%
SWEDEN	45	101	46	224	(10)	30	8	0	28
Op. Rate	95%	90%	95%	94%	101%	97%	99%	100%	99%
FINLAND	98	1	60	138	11	37	35	0	82
Op. Rate	85%	100%	91%	95%	98%	95%	95%	100%	97%
NORWAY	23	5	4	47	(5)	(4)	0	0	(9)
Op. Rate	77%	95%	96%	88%	105%	104%	100%	100%	102%
NORSCAN	669	390	335	1,748	220	382	228	165	995
Op. Rate	89%	94%	95%	93%	96%	94%	96%	97%	96%
WORLD-14	275	194	222	877	105	99	162	156	522
Op. Rate	93%	95%	94%	94%	97%	97%	96%	96%	96%
WORLD-19	944	584	557	2,625	325	481	390	321	1,517
Op. Rate	90%	94%	94%	93%	97%	95%	96%	97%	96%
OTHER	349	330	320	1,376	206	326	249	185	966
Op. Rate	83%	84%	85%	83%	90%	85%	89%	91%	89%
WORLD	1,293	914	877	4,001	531	807	639	505	2,483
Op. Rate	89%	92%	93%	92%	95%	93%	95%	96%	95%

SOFTWOOD vs. HARDWOOD

000 tonnes

Actual 2003/04						Intended 2004			
	Q2/2003	Q3/2003	Q4/2003	2003 TOTAL	Q1/2004	Q2/2004	Q3/2004	Q4/2004	2004 TOTAL
SOFTWOOD	704	463	458	1,886	190	324	336	302	1,151
HARDWOOD	589	451	420	2,114	341	483	303	204	1,332
	1,293	914	877	4,001	531	807	639	505	2,483

Source: VVM



Source: VMM

Softwood Downtime

Monthly & Quarterly

SOFTWOOD — MONTHLY

000 tonnes

	Actual 2004					Intended 2004							2004 TOTAL
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
CANADA	45	(1)	10	15	82	35	26	14	47	70	12	0	354
USA	0	19	24	24	6	17	15	8	30	9	14	10	174
SWEDEN	(16)	(6)	(2)	8	5	0	0	0	8	0	0	0	(3)
FINLAND	(4)	(4)	13	(5)	(5)	19	18	0	0	0	0	0	32
NORWAY	0	(2)	(3)	(6)	(3)	0	0	0	0	0	0	0	(14)
NORSCAN	25	6	42	36	85	70	58	22	85	78	26	10	542
WORLD-14	23	16	20	(23)	(14)	15	10	10	9	39	20	20	145
WORLD-19	48	22	62	13	71	85	68	32	94	117	46	29	687
OTHER	7	15	36	47	60	48	35	40	67	40	35	35	464
WORLD	55	37	98	60	131	133	103	72	161	157	81	64	1,151

SOFTWOOD — QUARTERLY

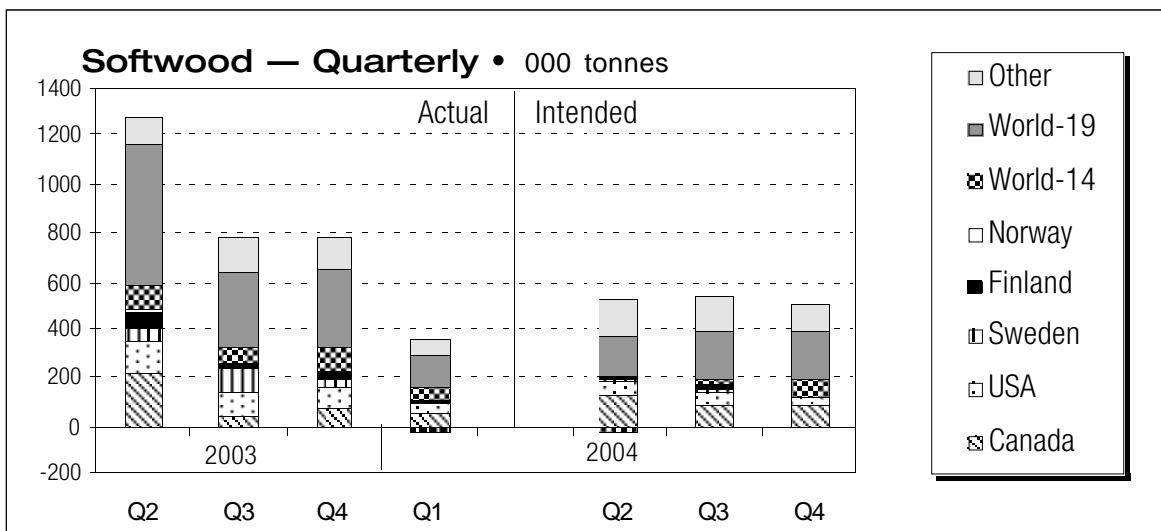
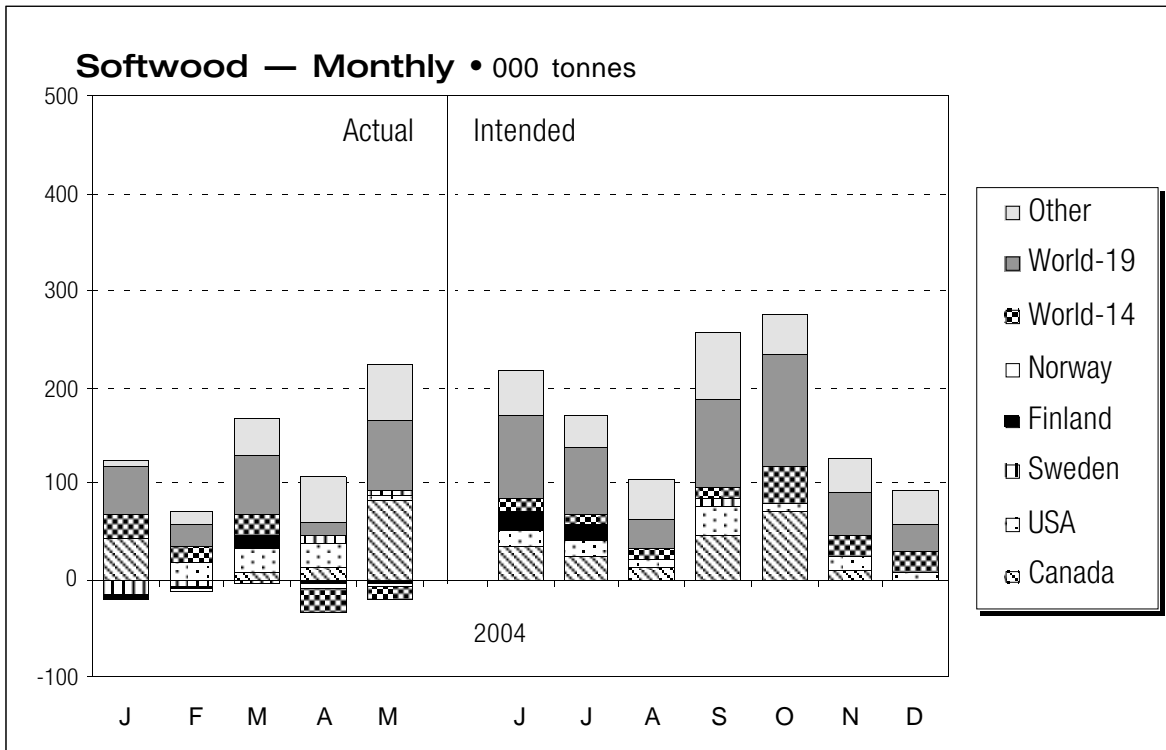
000 tonnes

	Actual 2003/04					Intended 2004			
	Q2/2003	Q3/2003	Q4/2003	2003 TOTAL	Q1/2004	Q2/2004	Q3/2004	Q4/2004	2004 TOTAL
CANADA	210	42	73	319	54	132	87	82	354
USA	133	97	83	466	42	46	52	33	174
SWEDEN	56	97	36	195	(24)	13	8	0	(3)
FINLAND	64	17	28	87	5	9	18	0	32
NORWAY	16	6	8	39	(5)	(9)	0	0	(14)
NORSCAN	480	258	228	1,105	72	191	165	114	542
WORLD-14	101	60	95	305	60	(21)	29	78	145
WORLD-19	581	318	323	1,410	132	170	194	192	687
OTHER	123	145	135	476	58	154	142	110	464
WORLD	704	463	458	1,886	190	324	336	302	1,151

Source: VVM

Softwood Downtime

Monthly & Quarterly



Source: VMM

Hardwood Downtime

Monthly & Quarterly

HARDWOOD — MONTHLY

000 tonnes

	Actual 2004					Intended 2004							2004 TOTAL
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
CANADA	22	8	16	28	19	10	0	0	20	18	0	0	140
USA	42	6	35	18	46	20	14	4	8	4	25	4	226
SWEDEN	12	2	0	12	5	0	0	0	0	0	0	0	31
FINLAND	(2)	0	8	10	0	18	18	0	0	0	0	0	51
NORWAY	0	0	0	5	0	0	0	0	0	0	0	0	5
NORSCAN	74	16	59	73	70	48	32	4	28	22	25	4	453
WORLD-14	15	(1)	31	38	43	40	46	50	37	43	25	10	377
WORLD-19	89	15	89	110	114	88	77	54	65	65	50	14	829
OTHER	49	50	50	45	92	35	25	39	43	25	25	25	502
WORLD	138	65	139	155	206	123	102	93	108	90	75	39	1,332

HARDWOOD — QUARTERLY

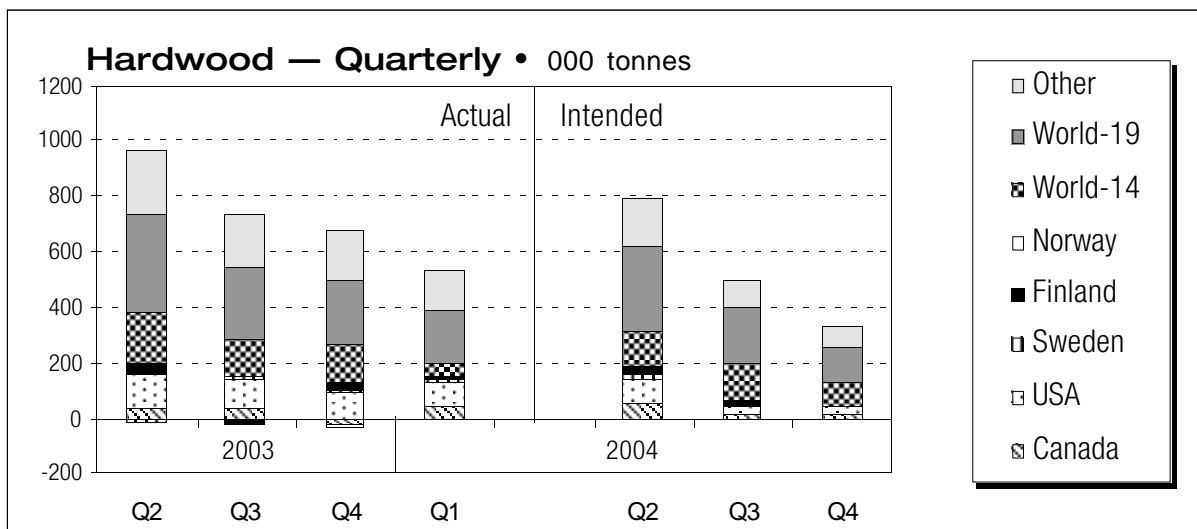
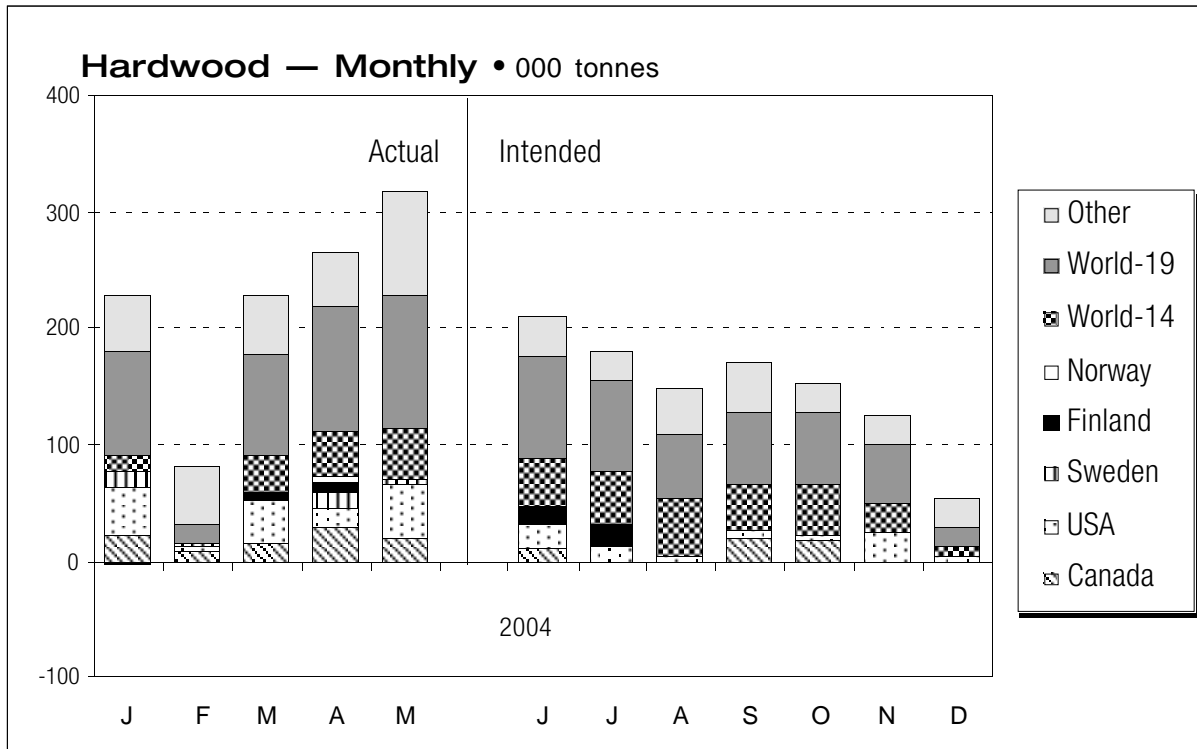
000 tonnes

	Actual 2003/04					Intended 2004			
	Q2/2003	Q3/2003	Q4/2003	2003 TOTAL	Q1/2004	Q2/2004	Q3/2004	Q4/2004	2004 TOTAL
CANADA	34	40	(24)	92	46	57	20	18	140
USA	125	105	93	462	83	84	26	33	226
SWEDEN	(11)	4	10	29	14	17	0	0	31
FINLAND	35	(16)	32	52	6	28	18	0	51
NORWAY	6	(1)	(4)	8	0	5	0	0	5
NORSCAN	189	132	108	642	148	191	63	51	453
WORLD-14	174	134	127	572	45	121	133	78	377
WORLD-19	363	266	235	1,214	193	311	196	129	829
OTHER	226	185	185	900	148	172	107	75	502
WORLD	589	451	420	2,114	341	483	303	204	1,332

Source: VVM

Hardwood Downtime

Monthly & Quarterly



Source: VMM

Operating Rates

Total, All Grades

MONTHLY

000 tonnes

Actual 2004						Intended 2004							
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2004 TOTAL
CANADA	91%	99%	97%	94%	86%	94%	97%	98%	91%	88%	98%	100%	94%
USA	94%	96%	92%	94%	93%	95%	96%	98%	95%	98%	95%	98%	95%
SWEDEN	101%	101%	101%	94%	97%	100%	100%	100%	98%	100%	100%	100%	99%
FINLAND	103%	102%	91%	98%	102%	83%	85%	100%	100%	100%	100%	100%	97%
NORWAY	100%	107%	109%	103%	109%	100%	100%	100%	100%	100%	100%	100%	102%
NORSCAN	95%	99%	95%	95%	92%	94%	96%	99%	94%	95%	97%	99%	96%
WORLD-14	97%	99%	96%	99%	98%	95%	96%	95%	96%	93%	96%	98%	96%
WORLD-19	96%	99%	95%	96%	94%	95%	96%	97%	95%	95%	97%	99%	96%
OTHER	92%	90%	88%	87%	79%	88%	92%	89%	84%	91%	92%	92%	89%
WORLD	95%	97%	94%	95%	92%	93%	95%	96%	93%	94%	96%	97%	95%

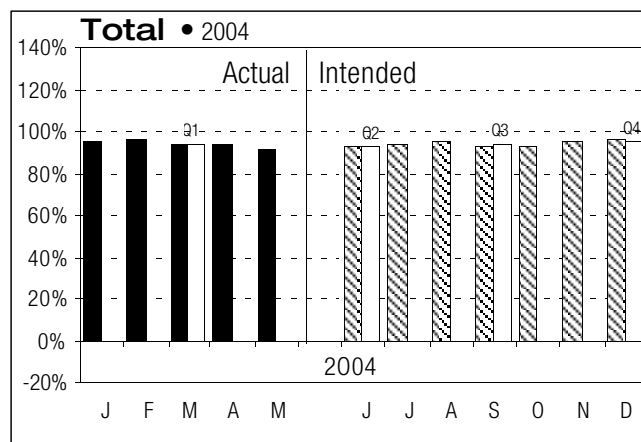
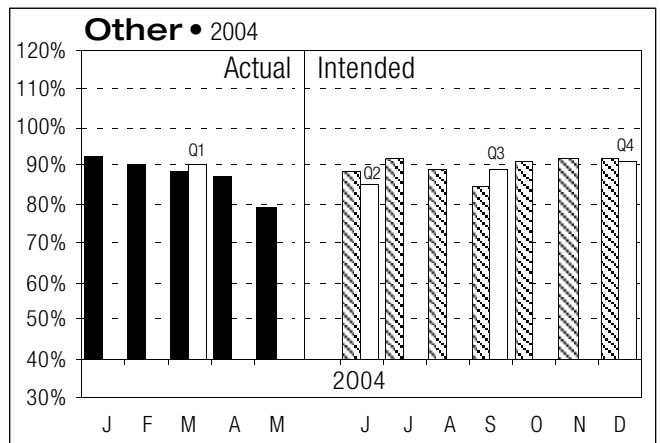
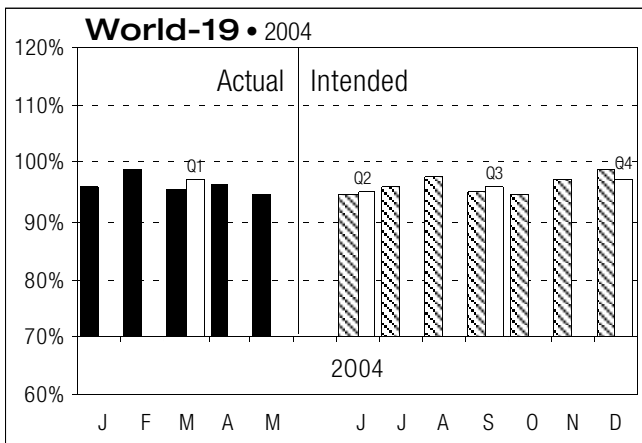
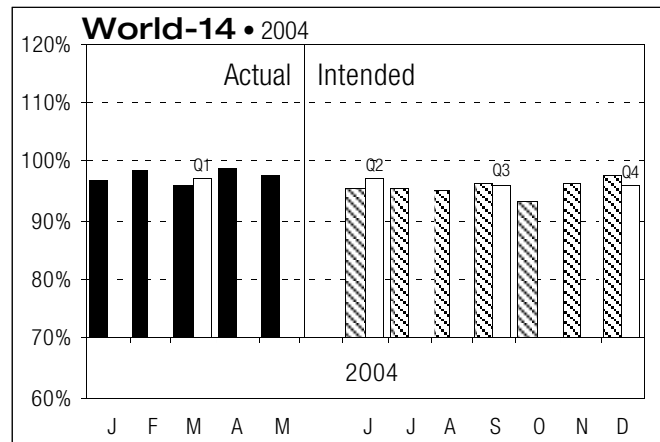
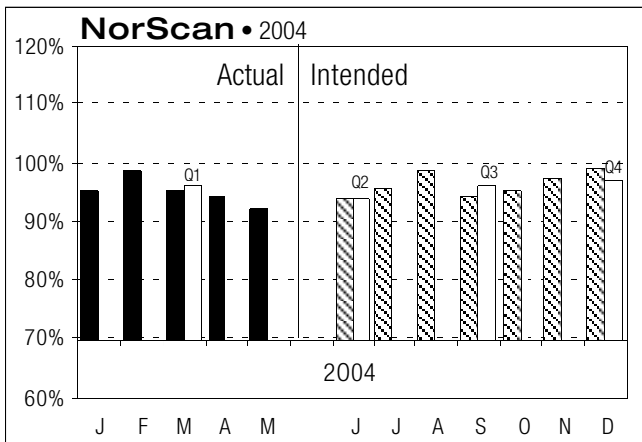
QUARTERLY

000 tonnes

Actual 2003/04						Intended 2004			
	Q2/2003	Q3/2003	Q4/2003	2003 TOTAL	Q1/2004	Q2/2004	Q3/2004	Q4/2004	2004 TOTAL
CANADA	89%	96%	98%	95%	95%	91%	95%	96%	94%
USA	88%	91%	92%	89%	94%	94%	96%	97%	95%
SWEDEN	95%	90%	95%	94%	101%	97%	99%	100%	99%
FINLAND	85%	100%	91%	95%	98%	95%	95%	100%	97%
NORWAY	77%	95%	96%	88%	105%	104%	100%	100%	102%
NORSCAN	89%	94%	95%	93%	96%	94%	96%	97%	96%
WORLD-14	93%	95%	94%	94%	97%	97%	96%	96%	96%
WORLD-19	90%	94%	94%	93%	97%	95%	96%	97%	96%
OTHER	83%	84%	85%	85%	90%	85%	89%	91%	89%
WORLD	89%	92%	93%	92%	95%	93%	95%	96%	95%

Source: VVM

Operating Rates By Country



Source: VVM

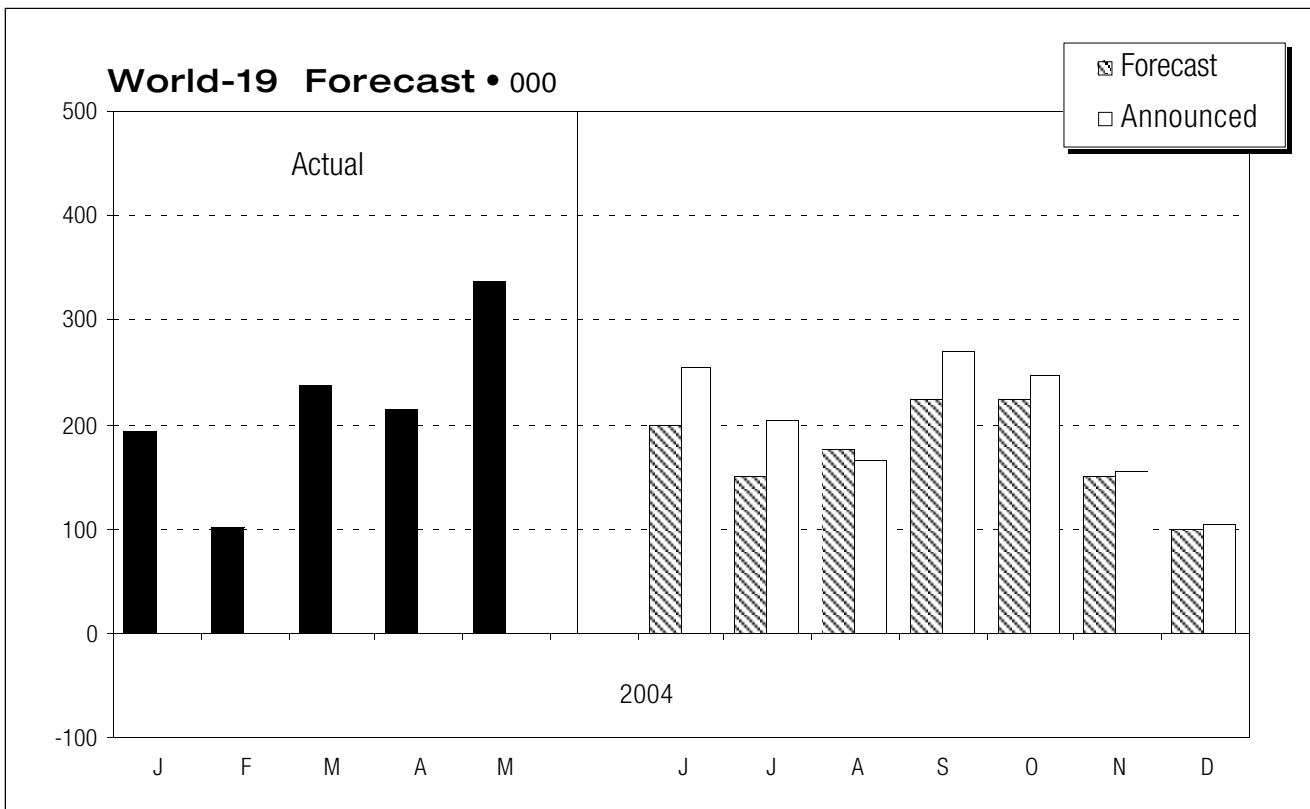
World-19 Downtime Forecast

TOTAL, ALL GRADES 000 tonnes

Actual 2004					2004							
JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2004 TOTAL
193	101	237	215	337	255	205	165	269	247	155	103	2,483
					200	150	175	225	225	150	100	2,308

Announced

FORECAST



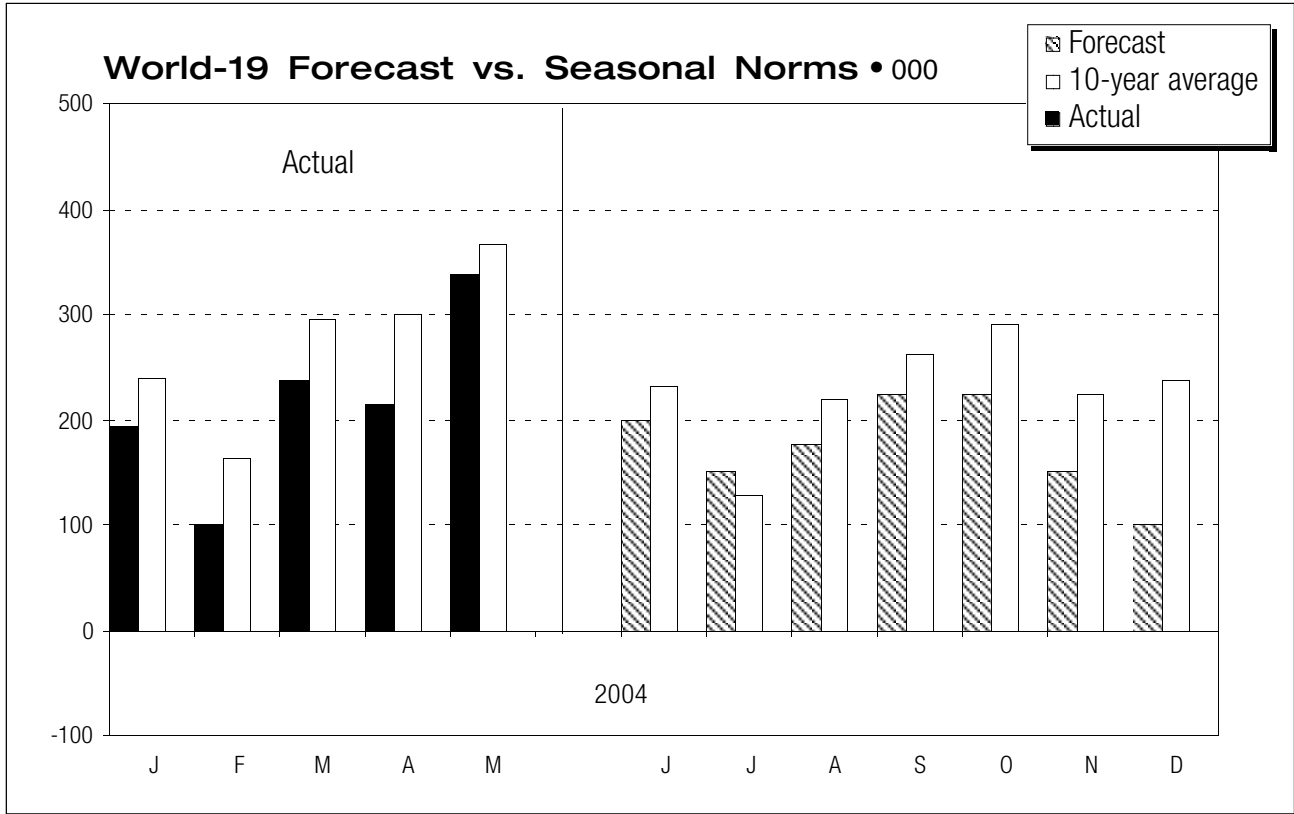
Source: VVM

World-19 Downtime Forecast vs. Seasonal Norms

TOTAL, ALL GRADES 000 tonnes

Actual 2004					FORECAST 2004							
JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2004 TOTAL
193	101	237	215	337	200	150	175	225	225	150	100	2,483

10-year averages												
239	163	294	301	365	232	128	219	261	290	225	236	3,081



Source: WVM, PPPC

2004 Major Downtime

5,000 tonnes and up

NorScan Countries

000 tonnes

		GRADE	JUN	JUL	AUG	SEP	OCT	NOV	DEC
CANADA			15	26	14	38	40		
CANFOR	Prince George	softwood				14			
CANFOR/OJI	Howe Sound	softwood					10		
CELGAR	Castlegar	softwood		17					
DOMTAR	Espanola	soft/hardwood				8	8		
	Lebel-S-Quevillon	softwood				8	8		
POPE & TALBOT	Mackenzie	softwood				9			
	Nanaimo	softwood	15						
SFK PULP FUND	St-Félicien	softwood					7		
WESTERN	Squamish	softwood		9					
WEYERHAEUSER	Grande Prairie	softwood					8		
	Prince Albert	soft/hardwood			14				
USA			6			18	7		
DOMTAR	Ashdown	soft/hardwood					7		
INTERNATIONAL PAPER	Quinnesec	hardwood	6						
PARSONS & WHITTEMORE	Alabama River	hardwood				18			
SWEDEN						8			
ROTTNEROS	Vallviks	softwood				8			
FINLAND			16	20					
METSA-BOTNIA	Systemwide	soft/hardwood	16	20					
SUBTOTAL			37	46	14	64	47		
TOTAL NORSCAN (>= 5,000 TONNES)			37	46	14	64	47		

Source: VVM

Other Countries

000 tonnes

2004 Major Downtime

5,000 tonnes and up

		GRADE	JUN	JUL	AUG	SEP	OCT	NOV	DEC
SOUTH KOREA							14		
DONGHAE PULP	Ulsan	hardwood					14		
INDONESIA			29	29	29	29	29	29	29
APP	Systemwide	hardwood	14	14	14	14	14	14	14
KIANI KERTAS	Kalimantan	hardwood	10	10	10	10	10	10	10
PT TAMJUNGENIM, LESTAR	Musi, Sumatra	hardwood	5	5	5	5	5	5	5
BRAZIL			30		29			15	
ARACRUZ	Aracruz	eucalyptus			21			15	
JARI	Munguba	eucalyptus			8				
VOTORANTIM	Jacarei	eucalyptus	30						
CHILE			5	5			10	10	10
ARAUCO	Systemwide	softwood	5	5					
CMPC	Pacifico	softwood					5	5	5
	Laja	softwood					5	5	5
FRANCE						8	8		
TEMBEC	Systemwide	soft/hardwood				8	8		
SPAIN				17		17	20		
ENCE	Huelva	eucalyptus		17					
	Pontevedra	eucalyptus					20		
	Navia	eucalyptus				17			
GERMANY						9			
ROSENTHAL	Rosenthal	softwood				9			
RUSSIA			5		10	9			
ILIM PULP	Systemwide	soft/hardwood			10	9			
	Ust-Ilimsk	softwood	5						
TOTAL	(>=5,000)		106	97	82	136	128	54	39
OTHER	(<5,000)		149	109	83	133	119	101	64
TOTAL WORLD DOWNTIME (Matches page 2 totals)			255	205	165	269	247	155	103

Source: VVM