



REPORT G6879/1  
MARKETING STUDY

DEPARTMENT OF EXTERNAL AFFAIRS  
OTTAWA CANADA

MARKETING STUDY OF CANADIAN PULP AND  
PAPER MILL MACHINERY AND EQUIPMENT  
IN THE SOUTHEASTERN UNITED STATES

DATE 1 AUGUST 1984

## INTRODUCTION

Sandwell International Incorporated was commissioned by the Department of External Affairs, Ottawa, Canada to conduct a study of the potential markets for Canadian pulp and paper mill machinery and equipment in the twelve southeastern states of the United States. The study was essentially limited to the southern pine distribution area consisting of the states of Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia.

The objective of this study was first to define the market for capital equipment, replacement components, and process controls in the study area; and secondly, to establish the potential for Canadian manufacturers to enter such market areas. The Department of External Affairs arranged for Canadian pulp and paper equipment manufacturers and service industries to submit promotional literature on the equipment or services to Sandwell. It was intended that Sandwell could comment on generic product areas in the text of this report, including the applicability of such products and services to the pulp and paper industry in the southeastern states.

Numerous directories document the widespread distribution of the pulp and paper industry in the southeastern states, and confirm the concentration of potential equipment and services market in this geographic area. It is further projected that the majority of the future industry growth will take place in this area. The true size of the potential markets, however, is often underestimated, because of the publicity concentrated only on new mill construction and new paper machine installations. A recent industry review states that these highly publicized expenditures actually account for less than forty percent of the project expenditures and mask the spending on modernizations of pulping equipment, paper machine rebuilds, and utility improvements. For the period 1983 to 1987, the same review estimated that there will be an annual expenditure of \$3,500,000,000 for pulp and paper equipment with expenditure beginning modestly in 1983 and accelerating until 1985. Because of the prohibitive costs of new plant construction, the capital spending will be concentrated on expansion and modernization at existing sites. The accuracy of these projected expenditures is extremely dependent on the economy in the United States, the cost and availability of basic raw materials, and the relative prices and demand for the various end products. During the recent recession, capital spending in the pulp and paper industry was reduced to minimum levels and consisted mainly of