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Strategic positioning study of the Paper and Carton branch

FOREWORD

This study concerns the manufacture of paper pulp, paper and carton board and the transformation of these materials.

NATIONAL SITUATION

The branch regroups 117 enterprises employing some 7 500 persons.

Only one enterprise manufactures paper pulp from Esparto grass, 8 produce paper and carton board and 109 transform these materials into diverse products.

8 enterprises are wholly exporting and 10 have foreign partners.

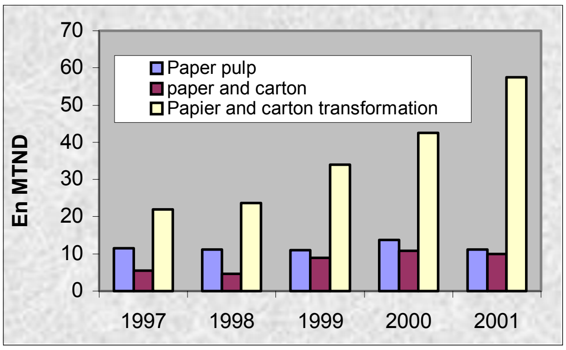
In 2001, the production value of the branch was 284 MTD¤. Average annual growth during the period 1997-2001 was 4%. The production activities registering the highest growth during the period were cellulous paper (10% per year) and packaging (11% per year).

In 2001, the branch recorded important growth in terms of investment, increasing 43% from 2000 levels, this growth was due in part to investment made under the national industrial modernization and upgrading program.

The trade balance of the branch is in deficit, with a coverage rate of just 30%. From 1997 to 2001, branch imports have risen from 146 MTD to 261 MTD, and exports have increased from 39 MTD to 78 MTD.

The leading exported products of the branch are packaging products which represent 36% of total branch exports.

FIG./1 EVOLUTION OF EXPORTS FROM THE PAPER AND CARTON BRANCH



** MTND : Millions of Tunisian Dinars*

INTERNATIONAL SITUATION

The principal world producers of paper pulp are the United States and Canada. Canada is the foremost exporter of paper pulp, exporting 45% of its production in 2001.

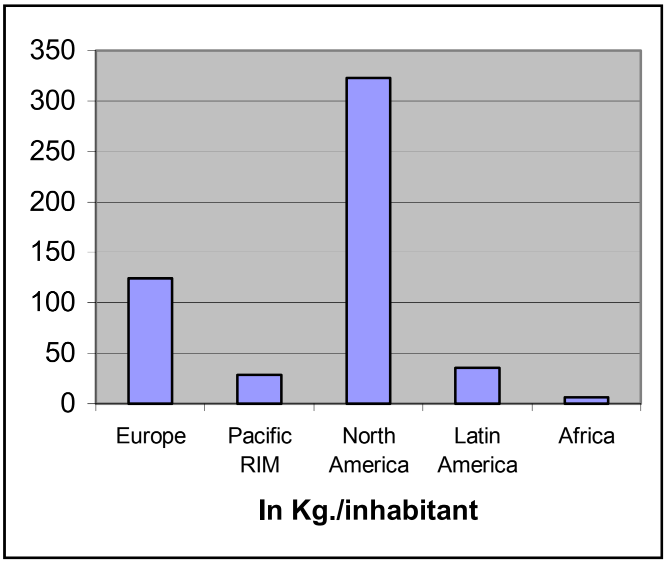
In Europe, Sweden is the principal producer of paper pulp followed by Finland.

Germany is the leading European producer of paper and carton, while Finland is the major European exporter of paper and carton and the leader in the production of printing paper and high quality writing paper.

Recycled paper represents 50% of raw materials utilized in the paper making industry worldwide.

The largest exporters of recycled paper are the United States and Germany, while the principal importers are China and Indonesia.

FIG./2 CONSUMPTION OF RECYCLED PAPER BY GEOGRAPHIC ZONE IN 2001



INTERNATIONAL COMPARISON

Analysis of the Benchmarking table established on a reference group of 4 countries : France, Finland, Spain and Morocco, has revealed the following observations:

- The cost of raw materials in Tunisia is higher than the countries of the reference group;
- the prices of Tunisian paper and cartons are elevated.
- the price of recycled paper in Tunisia is competitive but the quality is not satisfactory;
- Tunisia imports important quantities of recycled paper;
- In Tunisia the level of supervision and management in the production process is rather elevated, but it is not sufficient within other functions of the enterprise;
- the quality of certain Tunisian products remains inferior to that of the other countries;
- the productivity of Tunisian enterprises is inferior to that of the countries of the reference group.

- paper and carton transformation are the leading activities of the branch in Tunisia. The dismantlement of tariffs underway will allow an overall gain in competitiveness estimated at around 20%.

OBJECTIVES 2008

Strategic axes are: :

- to seek auto-sufficiency in raw materials;
- the consolidation of the position and the market share in Tunisia;
- the promotion of exports.

Priority objectives include:

- increase the production of Esparto grass paper pulp from 12 to 19 thousand tons per year;
- reach a productivity level of 300 tons of paper and carton per person per year from the current level of 167 tons;
- increase the production of recycled paper from 40 thousand tons in 2001 to 190 thousand tons by the year 2008;
- improve the quality of Tunisian made paper and cartons;
- master manufacturing costs;
- ameliorate the treatment of polluting wastes and reduce energy expenses;
- dynamize the sales and marketing function within the enterprise;
- develop ISO certification.

LUCRATIVE NICHES AND MARKETS

- printed counter-glued boxes and trays in carton;
- standard trays and palettes in cardboard;
- snack-packaging and multi-packs in flat carton;
- packaging for liquid food goods;
- small and medium size runs of flat packaging printed in color.

ACTIONS TO UNDERTAKE

Actions to be undertaken by the enterprises:

It is advised above all to invest in immaterial actions, given that the enterprises of the branch are well equipped in terms of manufacturing equipment. Within the transformation activity of the branch there exists an important over capacity.

Immaterial actions proscribed include:

- to optimize the organization of paper and carton manufacturing plants and to improve their technical competence;
- establish a policy to reduced and to recycle and create value from wastes;
- the reduction of energy expenditures.

Actions to be undertaken by institutions:

- promote the cultivation of Esparto grass;
- encourage the collect and the recycling of quality used paper and to valorize the image of the recycling profession;
- encourage and promote the mastery of energy costs.

ENTERPRISE CREATION AND PARTNERSHIP

The study has as well resulted in the identification of two project files and a listing of potential partners.