

Thailand: A pulp mill with a long history

Established in 1989, Advance Agro Public Company Limited is located in Prachinburi province. Its main business is producing and selling pulp and printing and writing paper. The company's production capacity of bleached kraft pulp is 175,000 tons per year. It also produces bleached short-fibre pulp for two mills operated under Advance Agro Pulp, with a combined capacity of 427,000 tons as well as printing and writing paper, with an annual capacity of 250,000 tons. Along with its subsidiaries (High Tech Paper and Advance Paper), Advance Agro has an annual production capacity of 500,000 tons. About 70% of its product is exported to China, the US, Hong Kong and Japan.

Advance Agro (PLC) is a subsidiary of the Kaset Rung Ruang (Soon Hua Seng--SHS) Group. More than 10 years ago, police arrested employees of the SHS subsidiary Suan Kittu for clearing forest to make way for eucalyptus plantations. The controversy turned into such a heated public issue that the then Council of Ministers had to prohibit large-scale commercial tree plantations by the private sector in national reserve forests.

The mill was originally to be the "Suan Kittu Pulp Mill", but in order to distance itself from public criticism associated with Suan Kittu, SHS swiftly renamed the mill Advance Agro and hired the Finnish-owned Presko public relations firm for advice on minimising any further environmental criticism. CIDA, the Canadian aid agency, subsequently funded the Canadian consultants H.A. Simmons to work for SHS, and the UK Commonwealth Development Corporation (CDC) provided loans and debt finance for the mill.

The company's main shareholders are the Soon Hua Seng Group (56%), StoraEnso, Europe's largest pulp and paper producer (19%), New Oji Paper, Japan's largest paper producer (5.5%) and CDC (1%).

At present the mill obtains its raw material supplies from 32,000 hectares of eucalyptus plantations and additional 57,000 hectares of eucalyptus grown by 6,000 farmers under contract to Agro Lines.

Advance Agro markets its "Double A" brand paper as environmentally friendly. The company's advertising explains that the raw material comes from plantations and thus relieves pressure on remaining forest areas. But in reality, Advance Agro's plantations have displaced communities and are the final stage of deforestation in east Thailand.

Laem Khao Chan village is about 100 years old and is close to one of Advance Agro's mills. In the past, villagers grew rice, cassava and pumpkin. When SHS started to look for land to plant eucalyptus many villagers sold the land they had used for cassava planting to the company. But villagers found that the eucalyptus plantations started to affect their rice fields as well.

Suwan Kaewchan, a member of the Laem Khao Chan Tambon Administration Organization in Laem Khao Chan village, explained: "When the company came and started planting eucalyptus near the rice fields, the water began to dry up and people found they couldn't grow rice. One by one they began to sell their land and leave. They went to work as hired labour in other areas or with the company."

Villagers who kept their land but planted eucalyptus under contract to the company faced another problem, as Kasem Pet-natee of the Khwae Rabom-Siyad Development Project pointed out: "After the first harvest, the soil is so degraded that villagers have to spend money to improve the soil. Removing the trees is difficult. Villagers have to hire expensive machinery to remove the stumps and roots of the trees. Agricultural communities are falling into debt to banks and moneylenders. When villagers cannot pay, the banks take their land."

Wastewater from Advance Agro's mill is poured onto the eucalyptus plantations. The filthy water lies in channels between the rows of the eucalyptus trees. Villagers point out that although the water is treated at the pulp mill, this does not mean that the water is clean. Recently water released from the mill killed villagers' rice crops. Dust from the mill also spread to the villagers' houses and brought a rash to their skin.

Several transnational corporations have benefited from contracts on Advance Agro's mills. Jaakko Poyry, the world's largest forestry and engineering consulting company of Finland, won a contract (of not more than 3 years and signed on 15 December 1993) from Advance Agro for engineering design, project and construction management for the mill. The corporation was paid US\$15,250 each week, excluding an hourly fee of US\$60 for carrying out additional orders. Another contract (signed on 5 September 1995) was made with Finland's Ahlstrom Corporation for a 10-year provision of technical services. The first-year payment was US\$350,000 and 3% of Advance Agro's net revenue had to be paid annually to Ahlstrom for the outstanding payment.

When StoraEnso bought up shares in Advance Agro in 1998, several cooperation contracts between the two companies were signed. For example, Advance Agro had to pay StoraEnso annually US\$100,000 in return for pulp and paper research and development cooperation. To obtain technical assistance from StoraEnso, Advance Agro would have to pay salaries, other benefits and technical assistance costs to StoraEnso for 12 months. StoraEnso would secure at least 12,000 tons of European long-fibre pulp a

year as well as be paid in commission as Advance Agro's overseas sales representative and distributor (except in Thailand and Japan) for seven years. It was expected that the long-fibre pulp to be secured by StoraEnso would come from its mills in Europe.

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