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# Midway United Limited BVI

## Russian Forestry News Update

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*Small Lake in a Siberian Fir Forest*

### **Questions or comments?**

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### **Khabarovsk Area: Arkaim to launch the first stage of woodworking mill**

*LLC Arkaim (Khabarovsk area) is to launch the first stage of advanced woodworking complex in Oktyabrsky.*

The first stage includes manufacture of 140 thousand cubic meters of chipboards and 350 thousand of dried sawn timber annually. Investment volume in construction and energy infrastructure has amounted to over 140 million EUR by July 01, 2009.

Besides, there has already started works on construction of the second stage, which will allow processing almost all timber harvested by Arkaim.

Currently there are 29 analogous projects in Russia with total investment volume amounting to over 3.7 billion EUR, of them 5 are being realized the Khabarovsk area (over 650 million EUR). They include mill in Berezovo, Arkaim complex, Rimbunan Khidjau MDF mill, as well as Dallesprom and Daleuroles projects – with processed volume of timber making up 2.5 million cubic meters and investment volume reaching about 280 million EUR.

*Informational resources "Runa" [www.runa.info](http://www.runa.info)*

### **Ilim Group: 1.3 million EUR for forest roads construction in 2009 in Irkutsk region**

Harvesting companies of Ilim Group of companies affiliate in the Irkutsk region invested about 1.3 million EUR in forest roads construction in 2009.

CJSC ULiL invested about 780 thousand EUR for completing works on construction of road section in Bratsk district. Last year there were constructed 30 km of road with 12 km more to be constructed in 2009. The works are to be finished within 3 months.

LLC IlimSibLes provided over 440 thousand EUR for road construction in 2009 with the main scope of works to have been already completed.

The stretch of existing forest roads (Ilim Group of companies) used at timber harvesting and transportation makes up 6 689 km with it to be increased by 100 km annually.

*Informational resources "Runa" [www.runa.info](http://www.runa.info)*

### **Project on construction of woodworking plant is being realized in Arkhangelsk region**

Project on construction of a woodworking plant is being realized in the Ustyany district (Arkhangelsk region). As a result, the plant is to transfer on non-waste deep woodworking production.

Flexibility of technological processes able to adapt to the market changes is to provide a wide range of products: lining of different grades, floor boards, planed sawn timber, glued beams, logs for house construction. Expected plant capacity is to reach 150 thousand cubic meters of sawn timber per year with job employment making up 105 people.

The project is included in the list of large investment projects in Russia with investment volume amounting to over 30 million EUR. The project is to be partly financed by the RF Government. On the regional level the plant is granted a remission of poverty taxation with income tax to be

decreased up to 13%.

It is also worth mentioning that the plant is to process wastes for electricity and heat generation. One more advantage is good forest roads – the plant constructs 30-40 km of forest roads annually, thus, harvesting does not depend on season or weather.

*Informational resources "Runa" [www.runa.info](http://www.runa.info)*

## Modernization of equipment at Pitkyaranta Pulp Mill

Friday, 17 July 2009

It is not the first year modernization at the Pitkyaranta pulp mill is being performed. Currently it includes four directions aimed at decreasing production costs as well as solving ecological issues, as follows:

Modernization of cooking plant, including replacement of recycling pumps with value of benefits amounting to over 370 thousand EUR.

Replacement of existing boilers by new bark boiler to burn all bark and wood wastes. Due to steam generation, the mill will get additional energy, which will also help in solving ecological problems.

Modernization of condensing turbine at cogeneration plant with value of benefits amounting to over 860 thousand EUR.

The fourth stage includes modernization of steam condensate system at pulp drying machine No 3. It will allow decreasing heat consumption for pulp drying without decreasing capacity of pulp drying machine, or increasing capacity of pulp drying machine without increasing heat consumption.

These projects aim at increasing mill's capacity and improving product quality, decreasing unscheduled shutdown of machinery, repair and energy costs.

*Informational resources "Runa" [www.runa.info](http://www.runa.info)*

## THE SECOND QUARTER 2009 FOR WOODWORKING MACHINERY: THE RECOVERY IS STILL FAR, BUT THE DECLINE COMES TO A STOP

The difficult period that the woodworking and wood-based materials industry is experiencing has been unfortunately confirmed by the economic figures referring to the second quarter 2009. The message is clear: the signs of long-awaited recovery are still far and we are in the middle of a stage of stagnating production.

Traditionally carried out by the Acimall Studies Office on a sample of manufacturers of all types and sizes, the quarterly survey reveals that, between April and June, orders went down by 53.8 percent compared to the same period in 2008. Foreign orders decreased as well (-58.5 percent) and national demand recorded a 35.6 percent reduction. The situation may seem less dramatic - though not comforting - if compared with the figures of the first quarter of this year, when the reduction in the period April-June amounted to only 2.3 percent (-7.2 percent for orders from abroad, while the national market grew by 12 percent).

In the period under scrutiny, prices have recorded a slight shrinkage (-0.1 percent), while the months of ensured production at the end of the second quarter 2009 were equal to 1.2.

Based on the indications of the sample companies, the quality survey gave the following results: 68 percent indicate decreasing production, 29 percent stable and 3 percent growing.

Employment is considered stationary by 65 percent of the sample and falling by the remaining 35 percent. Available stocks are stationary according to 45 percent, decreasing according to 42 percent and growing according to the remaining 13 percent.

The forecast survey shows a situation of substantial stability, although people are aware that a possible stop of the order decline will not allow them to believe in a quick recovery process. On the contrary: the most widespread opinion is that the industry will come back to pre-crisis production levels only in some years. In the next period, international orders are expected to increase for 10 percent of the interviewees, they will be substantially stable for 61 percent and further decreasing for 29 percent (balance -19). The Italian market is expected to have a constant trend according to 58 percent of the interviewees, it will recover for 7 percent and it will decrease further for the remaining 35 percent (balance -51).

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## Authorities Solve Timber Problems

Grigory Rapota, executive representative of the President RF in Privolzhsky federal district and Nikita Belykh, the governor of Kirovskaya oblast answered some questions after the Committee of Constant Development finished its session.

Rapota noticed that there were discussed several problems of local timber and woodworking industry. The decision was to fix the terms and real perspectives of branch development.

Belykh underlined the necessity of corresponding new Timber strategy to real state of business in Kirovsky oblast, especially in the sphere of road infrastructure. It is not easy to make anything until the roads and transport infrastructure are bad. And federal support must play the biggest role in investing the region development.

The most important result of the committee session was, according to Rapota, the understanding of main problems by the side of authorities and the striving for salvation.

“We can’t afford our industry to be in the absolute downturn after the crisis” said Belykh. “We have to be able to fight against the circumstances.”

*Informational resources: Russian Forestry Review, Government of Kirovskaya oblast*