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Russian Forestry News Update

Последние известия российской лесной промышленности

Courtesy of Midway United Limited BVI

FEBRUARY 1, 2010

VOLUME 3, NUMBER 3



***A Forest Of Siberian Larch, Siberian Red Pine,
Spruce And Birch***

Questions or comments?

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Rusforest To Expand Its Business In Russia Through Acquiring Processing Assets

Rusforest company (major shareholder of the company is Sweden's Vostok Nafta investment fund) is planning to expand its business in Russia by acquiring assets in the timber processing sector, as the company's Chief Executive Officer Alexander Williams announced in an interview to Lesnaya Industriya journal.

At the Forest summit held in St. Petersburg in November Rusforest's CEO Alexander Williams managed to solve the problem of energy supply of the company's enterprises in Krasnoyarsk region by appealing to Russia's Prime Minister Vladimir Putin. 'As I told Mr. Putin, the major problem is now in everyday barriers for the business in the region. Energy supply is one of the characteristic examples. Vladimir Putin promised to regard the situation and kept his promise. He discussed the matter with the Minister for Industry and Trade Mr. Khristenko, and the wheels of state started working. In two or three weeks after the Russian-Finnish forum the matter was generally solved', Alexander Williams said in his interview, 'It is common knowledge that these problems are to some extent linked with bribery which is present in Russia. All things can be solved using money, which differs from other countries, here in Russia the situation is much more complicated'.

Rusforest's chief executive is going to double his business in Russia and regards a possibility of acquiring some wood processing assets 'dealing with pulpwood or wood chips'. The company planned to increase sawn timber production to 200,000 cubic meters in 2009.

Rusforest AB manages harvesting and processing enterprises in Russia's Krasnoyarsk and Irkutsk regions. The company's forest fund comprises 1.6 million cubic meters, equity capital makes up \$100 million.

Informational resource: Lesprom Network

New Sawmill Facility In Tyumen

CJSC Zagros launched sawmill in Zavodoukovsk (Tyumen region). Sawmill capacity makes up 70 thousand cubic meters of commercial timber per year with production output reaching 36 thousand cubic meters of sawn timber – of this 22,000 m³ are to be used by the local building

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companies. The sawmill is to provide 42 jobs.

CJSC Zagros invested 220 million RUR (EURO 5.24 million), incl. own and raised funds (bank credits and the Administration of the region).

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

John Deere Domodedovo To Be Open In The Beginning Of 2010

John Deere Domodedovo is a new name on the geographical map of John Deere that is to appear in the beginning of 2010. New facility of 50 thousand sq. meters situated not far from Moscow near Domodedovo international airport will operate as a manufacturing centre and Eurasian center for spare parts distribution in Russia.

New manufacturing centre is to produce agriculture, forest and road building machinery, including storage of spare parts.

John Deere has been operating in Russia for more than 100 year. Currently company dealers focus mostly to the agriculture and forest regions of Russia with over 70 dealer centers all over the country. In 2002, John Deere opened its representative office in St. Petersburg, incl. spare parts department.

In 2003, company's sales and marketing department (agriculture machinery) was launched in Moscow with two spare parts departments to be added soon. February 2005 an additional production centre was put into operation in Orenburg. January 2009 John Deere presented sales and marketing department (road building machinery) in Moscow, which proved company's confidence in potential of the Russian market and seriousness of the company's strategic plans in Russia.

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

Putin Allowed the Reopening of a Factory on the Banks of the World's Oldest Lake

The Russian Prime Minister Vladimir Putin has decreed that a paper manufacturing plant on the shores of Siberia's Lake Baikal can resume production despite years of complaints about the pollution affecting one of the deepest and the oldest lake in the world.

Putin, in a decree published on the website of the Government, has allowed the start after a long reboot the re-pulping mill, paper and cardboard in the area surrounding the lake, and located about 5,000 km east of the capital, Moscow.

Controlled indebted Russian tycoon Oleg Deripaska, the mill, whose construction dates from the Soviet era, closed in 2008 amid accusations of causing pollution and affecting the lake. Advocacy groups of nature have long attacked the factory, since they ensure that threatens the lake that hosts up to 1,500 species of animals and plants, including a unique seal that lives in freshwater.

Greenpeace says it is deeply concerned about the plans and to ask President Dimitri Medvedev to reverse the decision of Putin. "The Baikal pulp mill is a dangerous business for the environment," Greenpeace said in a statement. "It simply has no place on the banks of the

sacred lake," he added.

Putin, after personally inspecting the Baikal last year, said scientists had been told that the plant would not harm the lake, which has a fifth of the world's surface freshwater and Siberian tribes revere considered sacred.

The factory employed almost 2,000 people and is the main contractor of the city of Baikalsk, which has a population of 17,000. "The plant poses no threat to the ecosystem of Lake Baikal, so we gladly Putin's decision," said a representative for the factory, Oksana Gorlova.

"Almost every family in the city is related to this company, so the decision was taken by the people of Baikalsk" he added. "Production will begin this year," he said. Located in southeast Siberia, Lake Baikal is the oldest and deepest in the world, and is considered World Heritage by the United Nations Organization for Education, Scientific and Cultural Organization (UNESCO).

Informational resources: Lignum and Russian Forestry Review

A New Keyword for Japan Market in 2010

A new norm for lumber imports undergoing change and for housing starts

From 2008 to 2009, lumber imports in Japan underwent a large change in form matching the change in demand of customers. The kinds of lumber imported underwent a change. Led by Russian logs, all imported lumber decreased in terms of the amount received, and it was under attack from domestic lumber. Concerning imported lumber, "the lack of domestic lumber being supplemented with imported lumber" may be the shape of things to come.

In 2009, housing starts will fall below 800,000 units and will likely become 750,000 units. Housing starts in America fell from 2,000,000 units to 500,000 units, so "What is the new norm?" is a question that is now attracting attention. And so what is the new norm for Japan? Is it 700,000 units, or is it 800,000 units? In either case, it is believed that the restructuring in production will be the topic of discussion in the near future.

Lumber imports in 2010

Among log imports, North American logs will most likely be a little over 2,000,000 m³, and Russian logs will be about 500,000 m³. For lumber products, North American products will likely increase a little. The reason is that imported lumber products from American factories are increasing. Adding together both Canada and America, North American lumber products will be 2,500,000 m³. Russian lumber products will most likely be a little over 800,000 m³, and European lumber products will be about 2,500,000 m³. The amount of European lumber products to be received is expected to be about the same as in 2009 or to have a slight increase. In 2010, a big trend appears to be the direction in which domestic lumber will be more widely used, and with a lack of supply of domestic lumber such as cedar and cypress, there is always the imported lumber market.

Informational resources: Japan Lumber Journal and Russian Forestry Review