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Midway United Limited BVI

Russian Forestry News Update

NOVEMBER 1, 2009

VOLUME 2, NUMBER 20



Russia to postpone increase of roundwood export duties for a year

The moratorium on the increasing of the export duties on the round wood was extended until 2010 due to a sharp decline in the Russian timber industry, as it was declared at the Third Russian-Finnish Forest Summit in St. Petersburg.

"I think it is possible to extend the moratorium till 2011, - said Vladimir Putin, but stressed that Russia was not going to change fundamentally the strategy of the timber industry development up to 2020, which includes a gradual development of wood processing inside the country.

"Russia as any other major country could not play the role of supplier of raw materials on the world stage", Putin stressed. He also pointed that foreign partners knew well that Russian Government planned to raise export duties on round wood 3 years ago, and they had enough time to think about the relocation of their woodworking facilities in Russia.

Putin noticed that so far there were approved only 75 priority projects in the field of forest exploitation with investment volume amounting to 430 billion RUR and capacities reaching about 68 million cubic meters. "We do not believe the existing problems are an excuse to refuse to modernize the industry, - said Putin. We are not going to change the strategy".

At the same time Russia is to consider the possibility of extending the list of wooden products, which can be exported duty free. At the moment, there can be duty-free export from Russia of roundwood diameter less than 15 cm.

However, the main topic of the Forest Summit was improving the investment climate in the forest industry in Russia, of them innovations, human and scientific potential of forestry, resources, etc.

Informational resource: "Runa" www.runa.info

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St. Petersburg Forest Summit left Finnish industry with mixed feelings

The Finnish forest companies in attendance at the Finland-Russia Forest Summit held in St. Petersburg on Sunday were left with only a vague idea of what kind of conclusions they should draw from the meeting.

The Finns were not satisfied with the concession made by Prime Minister Vladimir Putin, who said that Russia would not be introducing the planned increase in export duties on roundwood from the beginning of next year, and that it was possible the moratorium could extend into 2011. The most concrete conclusion was that the duty-exempt top diameter of birch roundwood would be raised from 15 centimeters to 24 centimeters. According to the information obtained by Metsäliitto, it was a rumor, while UPM said that it was a fact. Following this vague information, the Finnish pulp and paper manufacturers are likely to reduce rather than expand their activities in the east.

Between January and July this year, the exports of Russian roundwood to Finland were 3.3 million cubic meters, showing a decline of 50 % compared with the corresponding period last year. The most important grade of wood for Finnish processors continues to be birch pulpwood, the exports of which to Finland were 0.5 million cubic meters. In 2008, the volume was six times larger. Birch pulpwood may be exported to Finland without duty if its maximum top diameter is less than 15 centimeters. The idea is that thicker logs would be directed to Russian plywood factories. Russia does not need smaller birches as the country does not have any pulp mills that would process birch.

The directive on the maximum top diameter causes a lot of extra work for exports. All wood that is to be exported to Finland has to be separated in piles according to the 15cm directive, which in practice leads to big problems. If one single log that is thicker than 15cm is found during the

inspection on the border, the entire cargo could have to be unloaded. Another problem is that the quality of birch varies a great deal. Even a thick log may be decayed inside. It can also be curved and have thick branches, which is why it would be good enough for a pulp mill but not for a plywood factory.

The exports of softwood to Finland have not been affected by the export duties as much as those of birch pulpwood have. The reason for this is that Finland is suffering from a shortage of strong conifers, and the proportion of the wood tariff of the roundwood factory price is lower than that of the pulpwood price.

The postponement of the planned increase until the distant future is likely to affect the Russian forestry and the country's raw material logistics most of all. The small enterprises felling timber should know in advance for how many years they would have contracts. Putin did not give any reply to that question on Sunday.

It does not pay to invest in expensive tree felling machines, if an entrepreneur can expect to have work only for some months. If there are no buyers for birch pulpwood, it is not profitable to fell only roundwood. However, in such a situation, Russian sawmills processing conifer roundwood and plywood factories working on birch roundwood are left without raw material.

The large Finnish pulp and paper manufacturers are reducing their activities in Russia. The roundwood imports of Stora Enso used to be 8 million cubic meters at their best, while in 2009 the imports are likely to remain below one million cubic meters. Stora Enso once employed some 2,000 Russian felling workers, but the number has declined to 600. UPM-Kymmene imported 5 million cubic meters of roundwood to Finland in 2008, but in 2009, the imports are expected to remain at 1.5 million cubic meters. A significant part of the imports consists of chips. UPM used to employ more than 1,000 workers in Russia, while at present the company is employing only 230 Russian workers.

Metsaliitto, too, used to import from Russia approximately 4 million cubic meters of wood at the high point. In 2009, the imports are expected to remain below one million cubic meters. Previously Metsaliitto had six supplier companies that employed more than 1,000 workers. Only one such enterprise remains, employing fewer than 300 workers.

Russia is an important and interesting cooperation partner for the forest-based sector of Finland. Its growing economy and abundant energy and forest resources provide diverse opportunities for the development of business activities that will remain viable long into the future. The international success of a forest sector, which bases its activities on boreal raw materials, is a shared concern for Finland and Russia.

The forest industry of Finland has played a substantial role in developing the forest sector of Northwest Russia especially. Finnish forest industry corporations have invested about a billion euro into Russia; the country has attracted Finnish sawn timber, panel and paperboard manufacturers in particular. In addition to these investments, Finland's forest industry has provided Russia with timber export revenues and created a substantial number of jobs in wood harvesting. Over the last 15 years, Russia has received some €7 billion from its timber exports to Finland.

Russia's forest resources are the world's largest at about 800 million hectares (Finnish forest resources: 22 million hectares) and Russian forests grow at an annual rate of about one billion cubic meters (Finland: about 100 million cubic meters). Over one hundred million cubic meters of Russian timber are used annually to make forest industry products.

Manufacturing of sawn timber and panel products makes up the majority of Russia's forest industry. Total national output of pulp, paper and paperboard is equal to only about half of Finland's aggregate production volumes of these goods. In all, the production of the forest-based sector of Russia was worth a little more than €17 billion in 2008. Its massive forest resources and up-to-now competitive cost base are strengths for the Russian forest industry. In addition to this, the domestic market is growing rapidly in Russia.

Informational resource: "Runa" www.runa.info and [Helsinki Sanomat](http://HelsinkiSanomat)

Amur Forest to reach project capacity in 2010

LLC Amur Forest woodworking plant is to reach project capacity – 158 thousand cubic meters of sawn timber per year – in 2010.

Annually the plant processes 300 thousand cubic meters as raw materials and produces fir and larch sawn timber dried by the required moisture level. The products are to be exported to Japan, South Korea, Europe and China.

An investor to be found, the second stage – 40 thousand cubic meters of glued products per year – is to be constructed.

The plant was launched October 18, 2008 with investment volume amounting to 30 million USD. At the same time, the project was included in the list of priority investment projects in the field of

forest exploitation.

Informational resource: "Runa" www.runa.info

Pellets from Siberia: "DOK "ENISEY" experience

Wednesday, 28 October 2009

Implementing the strategy of production technology development at the sawmill implied increasing volume of production wastes, while traditional deliveries of the sawmill wastes (chips) to pulp mills came to nothing. Today one can say that the direction chosen was absolutely correct. According to the results of the two last years, the pellet plant of "DoK "Enisey" is the largest pellet producer in Russia – an optimized production consisting of 3 lines (hourly capacity 3.5 ton each). Pellets are exported from Russia, consumers being very much satisfied with the quality of Siberian pellets.

Well begun is half done

In 2006 "DoK "Enisey" was one of the first companies that launched pellet production and to some extent it was a kind of a lottery, says Alexander Zhevlakov, technical director of the company. "We even didn't take any clue when we took the decision on equipment supply. From technical point of view, we simply could not formulate all the details of the way we wanted the production process to be organized. It is only now that we have a great experience behind, we easily understand cons and pros of every technical solution offered... Everything was otherwise 3 years ago".

That is why the cooperation between the sawmill and the supplier played such an important role in successful project realization. It was AS Hekotek (Estonia) that became a primary engineering contractor – to carry out engineering and completing the production line, as well as delivery of all the equipment for the pellet plant. All the main decisions were taken together by the customer and the supplier to ensure the optimum efficiency of the future plant.

Festina lente

The process of conciliation and signing of the agreement on machinery supply could not be fast. A quickly signed agreement not always leads to the best results. "It is not the speed that is vital but readiness of customer and supplier to clearly understand what is needed, to foresee all the slightest details, as everything that is missed in the beginning must be reworked later", – marked Mr. Zhevlakov.

Success based on trust

Of course, in such a situation it was all about a very high level of trust put by the customer in the equipment supplier – the trust that had formed within the long years of cooperation started many years before the first deliveries of pellet plant machinery. Starting from year 2003 Hekotek supplied "DoK "Enisey" with a log sorting line, all supporting equipment for R250 HewSaw sawing machine and an aspiration system.

"Hekotek is a company having a huge working experience in Russia, offering optimal solutions in terms of the equipment price and quality ratio, as well as excellent service, – says Alexander Zhevlakov. – A great advantage of cooperation with Hekotek is, first of all, absence of language barrier. Qualified and mobile staff of the company efficiently solves all the issues and speak fluent Russian.

Further development

Initially pellet production at "DoK "Enisey" consisted of two lines. Starting from June 2009 the production process involves 3 pellet presses by Andritz (capacity of each 3.5 ton/h) and 3 drum driers for sawdust drying by Hekotek. The drums are run by heat produced by three burners for biofuel (up to 55% moisture content allowed). The launch of the third line (analogous to the previous two) speaks about customer's positive evaluation of both technical solution applied and the work performed by Hekotek as a general contractor. The new line will allow increasing capacity of the pellet plant up to 65 thousand ton.

Development of wooden pellet production seems to be very promising direction at the moment. However, according to Mr. Zhevlakov, so far it is too early to talk about further development – only 3 months have past after the launch of the new line. "Probably, in 12-18 months we can consider further decisions in the field of pellet production development, but we shall not be in a hurry with that".

Informational resource: "Runa" www.runa.info based on forestindustries.fi

Timber products manufacture in January-September 2009

According to the Russian State Statistics Service, in January – September 2009 glued plywood production decreased by 26.2% and made up 1.5 million cubic meters.

Article	January-September 2009	September 2009 to		Jan-Sept 2009/ Jan-Sept 2008, %
		September 2008, %	August 2009, %	
Sawn timber, mln cub. m	14.2	-5.4	4.5	-5.3
Glued plywood, mln cub. m	1.5	-13.4	7.7	-26.2
Sliced veneer, th. cub. m	229	68	42.8	-1.5
Fiberboards (hard), mln ref. sq. m	208	-10	11.8	-33
Chipboards, mln ref. cub. m	3.2	-9.4	7.8	-25.6
Door units (assembled), mln sq. m	6.0	-39.9	-1.1	-35.2
Market pulp, mln ton	1.5	-15.9	-6.8	-18.6
Paper, mln ton	2.9	1.8	-3.7	-5.6
Cardboard, mln ton	2.5	-4.3	-2.5	-10.4
Market corrugated cardboard, mln sq. m	554	-0.4	4.6	-7.6

Informational resource: "Runa" www.runa.info

UPM and Sveza to postpone realization of project in Vologda region for 2 years

UPM-Kymmene (Finland) and Sveza Group postponed realization of the project on construction of a large timber industrial complex in the Vologda region for 2 years.

The research works to follow the schedule the decision on switch to the next stage of project worth 1.2 billion EUR is to be taken by the end of 2011. Investors will also consider governmental support regarding investing in infrastructure development. Construction works were due to start in the beginning of 2009 with production to be launched in 2011.

Joint venture of UPM and Sveza – LLC Borea – was formed in 2008 for construction of a timber complex, incl. advanced pulp and paper mill (800 thousand tonnes), sawmill (300 thousand cubic meters) and a mill for OSB production (450 thousand cubic meters). The possible construction site is Sheksna (Vologda region).

Informational resource: "Runa" www.runa.info

Ilim Group to strengthen its position in Siberia

Considering increased demand on coniferous pulp in China and large forest resources in Siberia Ilim Group is currently carrying out research on construction of a new pulp and paper mill in Bratsk (Irkutsk region).

Besides, existing demand in the internal market creates attractive conditions for increasing capacities of office paper production. That is why the company is so actively realizing the project on new paper making machine installation in Koryazhma (Arkhangelsk region).

At the same time this year Ilim Group fulfilled its anti-crisis program that allowed the company to strengthen its position in the market, to fulfill obligations in front of employees and partners, to realize investment projects, of them purchase of more than 200 units of forest machinery for timber companies in Siberia, launching of the world's largest mill for neutral sulphite pulp production in Koryazhma. Overall, in 2008-2009 Ilim Group invested over 6 billion RUR (about 140 million EUR).

Informational resource: "Runa" www.runa.info

Global trade of wood chips down 26% in 2009 as pulp mills reduce production Worldwide

The international financial crisis has put a damper on global trade of wood chips used for pulp

manufacturing in 2009, reports Wood Resources International. The biggest decline has been in shipments from Australia, South Africa and Uruguay to Japan.

Global trade of wood chips has increased on average four percent per year from 2004 to 2008 reaching a record 32 million tons last year. This upward trend was broken in 2009 with trade being down 26% during the first half of the year as compared to 2008. The drop in shipments was the direct result of the global financial crises and the reduced demand for paper products worldwide.

This year, only an estimated 25 million tons of wood chips will be shipped worldwide, which is the lowest volume since 2002. Japanese pulp mills are still the major destination for the world's chips vessels; the country imported 53% of globally traded hardwood chips and 15% of softwood chips. Other countries in Asia, including China, Taiwan and South Korea, accounted for 12% of global imports, while the Nordic Countries have imported 14% of traded chips this year.

The biggest plunge in shipments has been that of wood chips to Japan. During the first six months, the country imported 34% less chips than the same period last year, with the biggest decline being that of softwood chips. Practically all major importing countries have reduced their purchases this year. The only countries that have increased their reliance on imported wood fiber are Turkey (softwood), China (hardwood), Sweden (hardwood) and Portugal (hardwood).

The countries that have reduced exports the most in 2009 are Australia, South Africa, Vietnam and Uruguay. Australia, the world's largest exporter, has reduced shipments from 3.1 million tons the 1H last year to 2.3 million tons during the same period this year, reports the market report the Wood Resource Quarterly. Uruguay has cut back exports 65% this year, while shipments from South Africa have declined 40%. With pulp production slowly increasing this fall and energy companies in Europe searching for additional sources of woody biomass, it is likely that trade with wood chips will increase in the coming year.

On March 16-17, 2010, the 4th Global Wood Fiber Conference: Trade in Wood chips and Biomass will take place in Sao Paulo, Brazil. The conference will focus on developments in woodchip markets worldwide, European demand for pellets and biomass chips, outlook for plantation wood chip supply, ocean freight costs and wood chip price trends.

[Informational resources: Wood Resources International](#)

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