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Russian Forestry News Update

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Waterfall in a Siberian Forest

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China still importing (and requiring) huge volumes of Russian Logs and Lumber
China's domestic wood consumption close coupled to Russian imports

Russia still remains China's most important softwood log supplier, representing nearly 85% of China's total softwood log imports in 2008 and also through mid-2009. This is despite the meltdown that occurred in Russia in late 2008 following the global financial collapse and while the Russian log export tax has remained at 25% (or a minimum of €15/m³) in 2009 on softwood logs. In fact, Russian log exports have had a surprising rebound in the first half of 2009 to remain close to their 2008 levels. These and other assessments were provided in the August issue of the China Bulletin, a monthly report published by International WOOD MARKETS Group Inc.

With a ban on timber harvesting in North China in place since the late 1990s, Russia emerged as the dominant log supplier to China feeding most of China's growth in timber processing. In 2008, China imported 29.6 million m³ of logs, with softwood's share at 63% (18.5 million m³). After Russia, other suppliers of softwood logs represent a small part of China's supply but their share has been growing in 2009, especially that of New Zealand and Canada.

Russia also dominates China's hardwood log imports, led by ash, oak and birch. However, the log export tax on Russian oak, beech, ash, maple, and cherry increased to minimum of €100/m³ on Jan 1, 2009, so Russian hardwood log exports have been falling while Russian hardwood lumber imports have been on the rise in China.

Strong domestic consumption from a growing housing industry and a rapid increase in international demand for China's low-cost manufactured wood products and furniture has fueled a dramatic rise in timber consumption and trade in China during the last ten years. "The softwood log and lumber trade has been particularly

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crucial for domestic Chinese consumption," said Russell Taylor, President and Publisher, "where an estimated 80% of imported Russian softwood logs are consumed within the Chinese market for Chinese end uses and the balance is used in products that are exported." Without Russian logs and lumber, China's wood deficit would be extreme (and is currently unsteady).

Although the volumes are much smaller, Russia also leads in China's softwood lumber imports. In 2008, China imported 3.6 million m³ of softwood lumber with nearly 50%, or 1.8 million m³ coming from Russia. This was followed by Canada, New Zealand, Chile, USA and others. The threat of further hikes in Russia's log export tax has increased the supply of lumber from other countries as a replacement to volatile and expensive Russian logs. In particular, Canada has increased its softwood lumber shipments, but mainly as low grade lumber as raw material inputs for China's factories.

Softwood log and lumber imports have increased from other countries during the last two years, including radiata pine from New Zealand, and SPF, Douglas fir, and hemlock from North America to substitute for Russia softwoods. With the potential of an 80% export tax still looming on Russian logs, new sources of raw materials will be required in China to offset uncertainties surrounding Russian log export volumes and prices.

Imported Russia softwood logs and lumber are mainly distributed to China's end users through the railway ports of Manzhouli, Suifenhe, and Erenhot – these are the three most important inland border cities used for importing timber from Russia. Some logs are also shipped via ship from Russian ocean ports to various Chinese ports closer to the log and lumber consuming regions in China. The most recent development for offshore log imports is the establishment of two ocean ports featuring fumigation facilities with a third port now being planned.

[Informational resources International WOOD Markets Group \(www.woodmarkets.com\)](http://www.woodmarkets.com)

President Dmitry Medvedev called for "intensified talks" with Finland

President Dmitry Medvedev called for "intensified talks" with Finland and China on exports of raw timber, saying that Russia needs to develop its domestic wood-products industry.

"The situation is outrageous and has been for a long time," Medvedev said during a meeting with political party leaders in Sochi on Monday. "We continue to ship raw timber for export and processing isn't being developed. To a great extent this is the result of the position of our neighbors."

Medvedev was due to meet with his Finnish counterpart Tarja Halonen in Sochi on Tuesday.

[Informational resources "Runa" www.runa.info based on the information provided by spbtimes.ru](http://www.runa.info)

Russia: The price of round wood increased by 1% in June, 2009

In June, the prices of roundwood amounted to an average of 1%, according to the analytical service of Lesprom Network.

As report said, the average price of timber conifer per 1 m³ (pine, spruce) with a diameter of 16-30 cm and 4-6 m length in July was 2.6% higher than in June, 1 m³ hardwood timber (birch) with a diameter of 16-30 cm and 3-6 m length in July cost 0.6% less than in June, 1 m³ of spruce pulpwood species of 4 m long and 6-16 cm in diameter (1, 2 and 3 grade) went up by 0.7%.

Price for 1 m³ of pine pulpwood (mild) of 4 m long with a diameter of 6-16 cm (1, 2 and 3 grade) in July rose by 1.9%, price for 1 m³ pulpwood from hardwood (birch) diameter of 6-16 cm and 6 m length (1, 2 and 3 grades) in July remained unchanged.

On the spot market in July prices for the roundwood sawlogs and pulpwood increased. There also increased the demand for sawlogs is due primarily to seasonal factors - the construction season. The prices for pulpwood increased by the fact that loggers are trying to stabilize prices, or sell raw materials will become unprofitable.

In the Siberian district pine sawlog prices have increased, while the hardwood sawlogs declined slightly. Loggers steady demand for this type of material. Balance of conifers went up, as well as the price for the hardwood pulpwood remained stable.

In the Ural region in July, prices for roundwood remained relatively unchanged in compare with June. Companies celebrated the stable realization of raw materials.

In North-West District there has been an increase in prices for sawlogs conifers, due to the high demand for this type of material because of the house building. Balance also went up slightly.

In the Central district in July coniferous sawlogs went up, the price of hardwood timber remained the same. Seasonal factor allows a quick and profitable sell of this type of products. The price for the pulpwood is also increased because at a price most loggers refuse to remove materials from the forest.

In the Volga region in July, prices for sawlogs have also increased. Prices for pulpwood remained unchanged compared with June.

Informational resources: Lesprom Network

Russia: sawn timber production

decreased by 18.5% in first half of 2009

According to Russian State Statistics Service, in the first half of 2009 sawn timber production decreased by 18.5% as compared to the analogous period in 2008. In June 2009 sawn timber production volume reached 1.7 million cubic meters.

Fiberboards (hard) and glued plywood production watched the most significant decrease – by 39.2% and 31.6% respectively. The decline was fixed in all main segments of the timber sector with the smallest decline watched in paper (-8.5%) and corrugated cardboard (-8.9%) production.

As compared to May 2009, however, the growth can be watched in veneer (+ 35.9%) and chipboard (+30.9%) manufacture.

Article	June 2009	June 2009/ June 2008, %	June 2009/ May 2009, %	Jan-June 2009/ Jan-June 2008
Sawn timber, mln m3	1.7	-7.8	15.6	-18.5
Glued plywood, th. m3	184	-17.7	6.3	-31.6
Sliced veneer, th. m3	20.9	-17.6	35.9	-30.5
Fiberboards (hard), mln ref. sq. m	21.9	-33.5	3.5	-39.2
Chipboards, mln ref. m3	333	-24.4	30.9	-30.8
Door units, th. sq. m	655	-31.6	21.1	-30.4
Market pulp, th. ton	170	-14.4	-3.0	-21.0
Paper, th. ton	301	-10.7	-10.8	-8.5
Cardboard, th. ton	291	-6.4	-2.2	-13.7
Market corrugated cardboard, mln sq. m	64.1	-15.0	2.4	-8.9
Newspaper (ref. circulation), bln pcs.	1.4	-20.6	1.2	-23.8
Books and brochures (printed sheets), mln pcs.	694	-26.8	1.1	-28.2
Magazines (printed sheets), mln pcs.	419	-31.5	1.0	-31.4
Art edition (printed sheets), mln pcs.	88.2	-22.8	-6.8	-20.7

As for harvesting, in June 2009 index of production made up 74.9% as compared to June 2008 with this index reaching 86.2% in the first half of 2009.

Article	June 2009, mln cubic meters	June 2009 to		Jan-June 2009/ Jan-June 2008, %
		June 2008, %	May 2009, %	
Haulage	5.4	-26.5	47.7	-15.6
Commercial timber	5.2	-23.7	39.4	-19.2

Informational resources "Runa" www.runa.info

Irkutsk region: Gosstroy to launch a new mill

Gosstroy (Irkutsk region) is to launch a mill for building materials production used in low-rise timber house construction. Total project costs amounted to 1.05 billion RUR (over 24 million EUR).

The mill is currently operating in test regime with about 150 cubic meters of molded logs to have been already shipped to Moscow.

However, part of the operations is performed manually due to not all the equipment being delivered so far.

Besides, Gosstroy and the Chinese company (51% of shares) formed a joint venture for low-rise timber house construction in Kharbin.

The new mill is situated in Khomutovo (Irkutsk district). The house construction technology and equipment are to be provided by the general contractor – Global Edge. Gosstroy is to start production of low-rise timber houses of three types – using glued logs, side framing or frame-panel technology. Initial capacity will reach 60 thousand sq. meters of housing annually.

Informational resources "Runa" www.runa.info

Zavodoukovsk sawmill is to be equipped with German machinery

CJSC Zagros is continuing construction of a sawmill in Zavodoukovsk district (Tumen region). The works on drying complex assembling are completed – capacity making up 300 cubic meters – with the first batch already produced. Costs amounted to 53 mln RUR (over 1.2 mln EUR).

As for woodworking plants the company purchased SAB machinery (Germany) to the amount of 70 mln RUR (over 1.6 mln EUR). At the same time works on forest road construction are being continued.

The complex is to be launched in December 2009.

Informational resources "Runa" www.runa.info

Sawmill 25 to increase pellet production

Start-up of pellet production at Sawmill 25 (Arkhangelsk region) has become the final stage of the sawmill's modernization program aimed at the whole technological process upgrading that has been realized since 2004. The plant on pellet production was constructed in spring 2008, which allowed providing the fully closed production cycle, including utilization of all the wastes.

Designing, completing units of plant and delivery were performed by AS Hekotek (Estonia). The production process is performed with 2 Andritz Sprout presses – capacity making up 3.5 ton/h and 2 drum driers (Hekotek) installed for sawdust drying. Currently pellet plant capacity reaches 50 000 ton annually with products being exported to Belgium.

The 3rd pellet press (Andritz Sprout) and belt drying (Hekotek) installed, production output is expected to increase as much as 1/3. New type of drier chosen will allow not only improving the quality of finished products, but reasonably and economically sound using excessive heat energy produced by the sawmill's boiler. The machinery is to be launched November 2009.

It is worth mentioning that it is the first time Hekotek has produced such type of drying kiln, which undoubtedly proves

serious trust existing between client and machinery supplier. The base for such trust was made due to long term and successful cooperation between the Estonian and Russian companies – with the first deliveries performed by Hekotek at Sawmill 25 in 2003. Total deliveries amounted to some 14 mln EUR and included log sorting line, feeding system, wet sorting line, conveyors wastes, etc.

“What is the most important for our company is that our machinery satisfies the needs of our clients, - says Heiki Einpaul, general manager of AS Hekotek. – We are growing and developing together with our clients and together we find best solutions!”

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

Arkhangelsk region to receive 72 mln RUR for forest road construction

Arkhangelsk region received 72 mln RUR from the governmental budget for forest road construction. Solombalales is also among the participants of this program.

The government is to provide only part of the sum required the rest of the sum is to be invested by the enterprise. Thus, only large companies can incur such costs especially in economically unfavorable conditions.

Solombalales in co-finance with the government is constructing roads in the area of its two harvesting companies – Svetlozerskles and Boretsk, with 9.5 mln RUR to be provided by the Government. Thus, by the end of this year Solombalales is to construct 2 km and 2.7 km of forest roads in Svetlozerskles and Boretsk respectively.

At the rest of the companies construction works are being performed at the expense of the holding. Solombalales is to construct additionally at least 11 km of forest roads.

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

Russia specifies FSC timber for Winter Olympics

Forest Stewardship Council (FSC) certified timber has been specified for use in the 2014 Winter Olympics in Russia, TTJ reported.

FSC-certified timber is recommended for use in all construction work, including new buildings, transport and energy infrastructure. The Games' green specification standard says only wood with legal documentation and proof it does not come from conservation areas will be permitted to used.

“It is the first time during the 10 years that FSC has been established in Russia that FSC certification and FSC-certified products are endorsed for internal use by the Russian



government,” said Andrei Ptichnikov, director of FSC Russia’s national office.

The games will be held in the Black Sea resort city of Sochi.

Informational resources: Lesprom Network