

Russian Forestry News Update

Последние известия российской лесной промышленности

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Santa Matryoshka (Nested) Dolls.

To find out more about Matryoshkas see:

http://en.wikipedia.org/wiki/Matryoshka_doll

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Arkaim's Sawmill Started Full-scale Operation

JV Arkaim LLC, a large-scale lumber exporting company in Khabarovsk in Russia, made a presentation at Shinjuku Park Tower in Tokyo on November 25. At the presentation, General Director Alexander Lepihov and executive officers of the company, who were visiting to Japan, jointly with the staff of its Japanese contact point SHINRYOKU Co., Ltd., explained the current situation of the company to the Japanese guests of 22 companies or 34 people. Arkaim, which had been exporting logs toward Japan, has established a sawmill and started full-scale operation this autumn. It has FSC certification in both logs and lumber. More than that, the company is planning to build six factories including a particleboard factory, a pellet factory, and a laminated lumber factory. When all of them start operation, it will consume 1,100,000 cubic meters of logs and produce 700,000 cubic meters of products per year.

President Lepihov's Speech

Production lines of our sawmill have gone into full-scale operation after the testing phase. By the end of December, we would like to raise the volume of manufactured lumber to 20,000 cubic meters per month. The production line for particleboard is in the testing phase. This is a full-automatic line, which is having a check at the moment. We are planning to finish the tests in December and start operation from next year.

In the complex, a total of six factories are scheduled to be constructed, and 80% of which are ready. Investment amount is \$200 million for the first phase and \$300 million for the second phase, for which we have finished all the negotiations with banks. We are planning to build a sawmill and a particle board factory in the first phase; and a pellet factory, laminated wood factory, and a factory to do final finish in the second phase.

Potential destinations of the products are Japan, China, Korea, and Europe. Among them, we think Japan as the most important country. We started dealings of logs with Japan ten years ago, and in the future, we would like to deal in semi-finished and finished products, too.

Informational resource: Japan Lumber Journal

Raute to receive an Euro 12 million order for Russian Brjanskij plywood mill

Raute Corporation has received an order worth approx. Euro 12 million from the Russian company Brjanskij Fanernyi Kombinat. The order comprises all production lines for a plywood mill, company said in a statement received by Lesprom Network. The machinery deliveries to Russia will take place in summer 2010 and the start-up of the mill will take place during autumn 2010.

Brjanskij Fanernyi Kombinat is a well-established, relatively small Russian plywood producer with production operations in Brjanskij, in the South-West of Russia. The machinery now ordered will be placed in a new mill with an annual production capacity of 40 000 m3 of overlaid birch plywood. The mill will produce 4x8 ft and 5x10 ft plywood by Western production standards.

The received order improves Raute's order book but has no impact on the net sales and operating profit for 2009. Because of the very low declined order book, the order will only have minor, short-term mitigating effect on the ongoing adaptation measures. Despite this single received order, the market situation as a whole is still challenging.

Informational resource: "Lesprom Network" www.wood.lesprom.com

Tomsk to launch new facilities in 2010

Mill for MDF boards production – CJSC Partner-Tomsk is to manufacture its first production in the end of Q1 2010.

CJSC Partner-Tomsk is constructing a mill for MDF boards laminating at 43 ha site in Tomsk. Expected capacity is to reach 264 thousand of boards annually. The mill is to become of the largest in the sector in the Northern Federal District and one of three largest mills in Russia. The project is partly financed by Eurasian Development Bank and Nomos-bank – total credit amounting to EUR 137 million. The period of recoupment is to make up 6.5 years.

September 2009 Partner-Tomsk appealed for the Ministry of development of the Tomsk region in order to get RUR 602 million for infrastructure development. Moreover, in April 2009 the project worth RUR 7 billion was included in the list of priority investment projects in the field of forest exploitation.

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

China: Forest industry revitalization

Five departments including the State Administration of Forestry, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Commerce and the State Taxation Administration recently released their plan for the revitalization of the forest industry 2010-2012. This will serve as the foundation for an action plan to support the industry through the current global economic crisis.

The plan aims to raise the output value of the sector and to maintain growth of around 12% annually. This it will aim to achieve in 3 years by focusing on support for 100 national leading enterprises and 10 large wood industry clusters. The output value of the forest industry is set to increase from RMB1.44 trillion in 2008 to RMB2.26 trillion in 2012. The planned output of the wood-based panel sector will be around 100 million m³. The total value of wood products trade is expected to be over US\$90 billion of which US\$50 billion would be for export.

Export products such as wood-based panes, wood flooring, furniture, wooden doors will be given priority. To meet these targets timber imports are forecast to be over 60 million m³ (log equivalent). The number of employees in wood processing sectors is set to increase to 57 million from the current 45 million.

Log price down

According to statistics from Tianjin Customs, during January to October log imports through Tianjin Port jumped almost ten fold to 221,000 m³ valued at US\$26.36 million but the average price for logs fell 54 percent to US\$119 per cubic meter. The logs were mainly imported from New Zealand, (114,000 m³ or 52%). The main importers are private enterprises that accounted for around 127,000 m³.

Hebei furniture exports up

In October, the value of furniture exports from Hebei Province rose 7 percent to almost US\$19 million, being the highest monthly figure since the beginning of 2009. During January to October, furniture exports fell 15 percent to US\$140 million. The European Union and the USA are the largest markets for Hebei furniture. Furniture exports to the EU grew 11 percent to US\$65 million for the year to date. However, furniture exports to the USA fell 34 percent. The value of exports to the two main markets (EU and USA) accounted for 70 percent of the total. Exports to Asian markets had mixed fortunes. The value of furniture exports to Japan rose 22 percent while exports to South Korea fell 25 percent.

Local experts suggest that China's furniture export oriented enterprise should diversify their markets especially as the EU and US markets are becoming very demanding and it is both costly and difficult to meet the requirements in these markets.

[Informational resource: ITTO's Tropical Timber Market Report](#)

USAID Signs Agreement with U.S. Forest Service and Russian Federal Forest Agency to Protect World's Largest Forests

Under the framework of the U.S.-Russia Bilateral Presidential Commission, the U.S. Agency for International Development (USAID), U.S. Forest Service, and the Russian Federal Forest Agency signed a Protocol of Intent to strengthen collaboration in the sustainable management of forests

through 2013.

The Protocol provides a framework for joint activities to protect the world's largest expanse of forest, including initiatives to support both countries' efforts to mitigate global climate change. The three agencies will collaboratively develop annual work plans for projects in priority areas such as forest management, fire reduction, illegal logging, and reforestation. This agreement supports the environment and forestry work of the Bilateral Presidential Commission, which was created by Presidents Obama and Medvedev in July 2009.

Russia and the United States have been sharing best practices in forestry since 1958. For the past 15 years, the U.S. Agency for International Development has supported a partnership between the two countries' forest management authorities. Both countries have benefited from exchanges, joint research, and pilot projects in sustainable forest management. Russian specialists have provided valuable technical expertise on wildfire behavior in complex systems, prevention of forest pest outbreaks, and habitat conservation; while U.S. specialists have contributed to the development of Russia's new National Forest Inventory and its efforts to combat illegal logging.

The Protocol was signed in Washington, D.C. today by Ambassador James Michel, Counselor, U.S. Agency for International Development; Tom Tidwell, Chief, U.S. Forest Service; and Alexey Savinov, Head, Russian Federal Forestry Agency.

Informational resource: "Lesprom Network" www.wood.lesprom.com

WTO Official: Ball In Russia's Court On WTO Accession

Russia needs to clarify how it intends to move forward in its drive to join the World Trade Organization before advancing the process, a WTO official said Thursday, adding that "the ball is largely in [Russia's] court."

"I think the question we are faced with overall is what needs to be done to bring the accession of the Russian Federation to closure," Chiedu Osakwe, the WTO's director of accessions, said in Washington.

Chiedu, speaking at the Carnegie Endowment for International Peace, said the WTO is waiting for Russia to deliver a note describing its customs union with Kazakhstan and Belarus, and how the union affects its individual working-party negotiations. He said Russia should structure a "calendar-driven end game" for the WTO talks.

The largest economy still outside the WTO, Russia has been in negotiations to join the 153-member group for 16 years. The talks had made substantial progress, but were stalled over the summer, when Russian Prime Minister Vladimir Putin announced that the country would seek to join the WTO as part of the customs union.

The June announcement caught many off-guard and led to a temporary suspension of the accession process. Russia says it will now negotiate separately from Belarus and Kazakhstan, and aims to enter the WTO simultaneously and harmonized with its customs union partners.

Osakwe cautioned that the longer the process takes the more likely that "an infinity of difficulties" will arise and prolong the talks further.

Last week, Putin accused the U.S. of hampering Russia's push for WTO membership. "Accession into the WTO remains our strategic goal, but some nations, including the United States, are impeding Russia's WTO bid," he said.

Before the talks were suspended, Russia completed 53 bilateral agreements on goods market access. However, a number of issues, including agricultural trade distorting subsidies, export taxes on timber, rules on state trading organizations, and ongoing tension between Russia and Georgia, remain to be resolved.

Alexsey Shishayev, head of the economic office at the Russian Embassy, expressed confidence that Russia can continue to pursue WTO membership on bilateral and multilateral tracks. "There is nothing impossible in this process," Shishayev said.

Informational resource: [Dow Jones Newswires](#)

Changes in hardwood fiber costs in 2009

Higher hardwood pulpwood costs in Brazil, Australia, Russia and Sweden pushed the 3Q/09 Global Hardwood Fiber Price Index (HFPI) to the highest level in 12 months, reports the Wood

Resource Quarterly. The HFPI was over six percent higher than the Global Softwood Fiber Price Index (SFPI), the biggest difference in 21 years.

The hardwood fiber costs for the global pulp industry have risen faster than softwood fiber costs in 2009. Over the past 20 years, the Global Softwood Fiber Price Index (SFPI) has typically ranged between US\$5-10/odmt higher than the Global Hardwood Fiber Price Index (HFPI). This relationship changed this year because hardwood fiber costs have increased more than softwood costs.

The Global Wood Fiber Indices are weighted global average delivered wood fiber prices for the pulp industry in the regions tracked by the publication Wood Resource Quarterly.

The regions included in the Indices together account for 85-90% of the world's wood based pulp production capacity. The prices are based on the quarterly average prices, and country/regional wood fiber consumption data.

The HFPI was up \$4.23/odmt, reaching US\$99.15/odmt in the 3Q/09 as compared to the 2Q. This was mainly a result of higher wood costs in Brazil, Australia, Russia and Sweden. The global average hardwood fiber price is now over six dollars higher as that of softwood fiber, a historical first. The SFPI jumped three dollars per odmt in the 3Q to US\$93.12/odmt. Much of the increase occurred because the US dollar weakened against all 14 currencies in the countries included in the Index. The biggest increases were seen in Germany, Brazil, New Zealand and Australia.

The SFPI Index, which predominantly includes countries with natural conifer species in the Northern Hemisphere, and the HFPI Index, which largely consists of wood fiber prices in non-conifer plantation forests, are calculated in nominal US dollars per oven-dried metric ton (odmt) of wood fiber.

During the past two decades, global wood fiber prices declined during most of the 1990's and early 2000, and then climbed from 2002 to 2008, according to Wood Resource Quarterly. Wood costs reached record levels in early 2008, but then fell rapidly for 12 months until the recent increase in early 2009.

[Informational resource: Wood Resource Quarterly](#)

Rapid expansion of wood pellet capacity in North America drives sawdust and wood chip prices upward, reports the North American Wood Fiber Review

The wood pellet industry in North America has grown six-fold since 2004, reports the North American Wood Fiber Review. The dramatic expansion has resulted in higher costs for sawdust and wood chips in the regions with the greatest growth, including Western US and Canada. There has been a rapid expansion in wood pellet capacity in North America the past five years, from just over one million tons in 2004 to over six million tons in 2009, according to a recent report from the USDA Forest Service.

British Columbia was the first region to take advantage of inexpensive sawmill residues and to produce wood pellets for the fast growing European market. Capacity in the western province of Canada has not grown much the past few years, so in 2009, it is likely that the US South will take over as the leading pellet-producing region in North America, according to the North American Wood Fiber Review. Much of the investment in pellet capacity in the US South has been driven by the export market in Europe. On the other hand, the second largest producing region in North America, the Western US, has so far only sold pellets into the domestic market.

In 2004, the pellet industry was practically non-existent in the US South and this sector has now grown and will reach a capacity of almost two million tons in 2009. These capacity numbers may sound impressive, the actual operating rates have been surprisingly low in both the US and Canada. In 2008, production was about 66% of capacity in the US and 81% of capacity in Canada, estimates USDA-FS. Major reasons for the low rates include start-up problems for newly built plants, financial difficulties for some companies and a lack of affordable wood fiber supply.

With increased demand for wood fiber, pellet manufacturers have increasingly had to accept higher-cost wood fiber sources than the commonly used sawdust from local sawmills. More pellet companies are now using wood chips that traditionally have been used by the pulp industry. Partly as a result of the expansion of the biomass sector, wood chip prices, sawdust prices and woody biomass prices have moved up in the US this fall.

In the US Northwest, sawdust prices have gone up substantially the past five years. In 2004, average sawdust prices were US\$28/odmt as reported by the North American Wood Fiber Review. These prices reached a peak of US\$74/odmt in late 2008 and have since fallen,

averaging US\$64/odmt in the 3Q/09. The price increases that have occurred in Western US are likely to be seen in other regions experiencing rapid expansion of their pellet industries.

[Informational resource: "Lesprom Network" www.wood.lesprom.com](http://www.wood.lesprom.com)

Drop in value of Japan's timberland for 18 consecutive years

The Japan Real Estate Institute recently announced the results of a survey concerning the value of timberland and the value of standing timber at the current time of the end of March. Excluding Hokkaido and Okinawa, the average value (per 10 are; 10 are = 1,000 square meters) of timberland nationwide was 52,747 yen (4.3% decrease compared to last year) for land used for timber and 34,851 yen (2.7% decrease) for land used for firewood or charcoal falling below last year's price for both. With these results, the value of timberland fell for the 18th consecutive year. The value (per cubic meter) of standing timber was 2,548 yen (19.5% decrease) for cedar, 7,850 yen (16.8% decrease) for cypress, and 1,466 yen (10.5% decrease) for pine with all three kinds decreasing a large amount in the two-digit range compared to last year. Cedar fell to the level of 1952, and cypress fell to the level of 1960.

For this survey of the value of timberland and standing timber, about 1,000 cities and towns that are thought to reflect the situation of the forestry industry best were selected, and survey questionnaires were sent to city or town offices and forest industry associations. The rate of response was 69.5%.

The value of timberland was taken from the price of the underlying land that was bought and sold as timberland, and for the value of standing timber, the standard was a common log with a diameter of 20-23 cm and a length of 3.65 to 4 m with production costs such as transport subtracted from the material price after the logs were taken to the nearest lumber market.

Due to the environmental problems and employment problems in recent years, interest in the management of timberland is running high, but because profitability in forestry management is still at a low, the value of timberland has fallen for 18 consecutive years since 1992 and has declined to the levels of 35 years ago.

The reasons for the drop in the value of timberland were in the following order: "drop in lumber prices" with 42.2%, "decrease in demand for lumber used for construction" with 30.4%, "no buyer" with 27.7%, and "uneasiness in the future of the forestry industry business" with 22.7%.

According to the value of standing timber based on the variety of wood, cedar, which increased for the first time in 17 years in the survey two years ago, decreased again for the 2nd consecutive year. Recently, demand for small diameter trees and demand for plywood has been supporting the price of logs, but in this recession, demand has drastically fallen, so the value of logs is still in a further declining condition.

This year's value of cedar (2,548 yen) dropped to 11.2% of the highest recorded value (22,707 yen) in 1980 and to the levels of 1952.

According to the institute, the major reason for the fall in the value of standing cedar was that the old-age logs that were diligently cultivated by forest growers were not valued in the market environment.

As for cypress, demand decreased because pure cypress material was not used for economic reasons, and a trend to use laminated wood made from foreign material became stronger leading to a drop in value of standing timber.

This year's value of cypress dropped to 18.3% of the highest recorded value (42,947 yen) in 1980 and to the levels of 1960.

Due to damage by pine weevils, the supply of pine decreased nationwide, so stable shipments of red pine and black pine could not be seen. In addition, the value of larch logs was stable due to demand as material for plywood and laminated wood, but production at plywood factories had drastically fallen due to the recent recession, so a drop in value of standing timber occurred.

[Informational resource: Japan Lumber Journal](#)